Austria ... Sch 15	Indonesia ... Rp 1650	Philippines ... Pes 25	
Bahrain ... Din 0.500	Italy ... L 1100	Portugal ... Esc 60	
Belgium ... BFr 35	Japan ... Y650	S Arabia ... Rls 5.50	
Canada ... C$2.50	Jordan ... Fils 500	Singapore ... S$3.80	
Denmark ... DKr 7.00	Kuwait ... Fils 450	Spain ... Pts 95	
Egypt ... P 50	Lebanon ... £L 6.00	Sweden ... SKr 6.50	
Finland ... Fmk 5.00	Luxembourg ... LFr 35	Switzerland ... SwFr 2	
France ... Fr 5.00	Malaysia ... Ru 3.85	Tunisia ... Din 0.600	
Germany ... DM 2.00	Morocco ... Dh 6.00	Turkey ... L 130	
Greece ... Dr 50	Netherlands ... Fl 2.25	UAE ... Dh 6.00	
India ... Rup 15	Norway ... NKr 6.00	USA ... $1.50	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Tuesday November 9 1982

Ireland's election: the growing debt crisis, Page 17

NEWS SUMMARY

GENERAL

British plea on U.S. cash for IRA

Britain's Northern Ireland Secretary James Prior will visit the U.S. next week to urge Americans to stop supporting the Provisional IRA by providing money and arms.

He will spend five days in Chicago, Washington and New York, where five men who admitted stockpiling weapons were cleared of gun-running last week, a decision that has dismayed British MPs.

Opening an electronics factory at Portadown, Co Armagh, which has just won a large U.S. order, Mr Prior said: "I won't be satisfied until all support for the IRA, whether in terms of arms or money, is prevented."

Reagan's 1984 signal

President Ronald Reagan signalled that he was likely to run for a second term in 1984 by appointing Senator Paul Laxalt, of Nevada, his 1980 campaign manager, as chairman of the Republican National Committee. Page 4

Pope for Poland

Pope John Paul's second visit as pontiff to his native Poland, postponed because of the imposition of martial law, has now been rearranged for June 18 next year. Page 3

Solidarity arrest

Polish authorities have arrested Piotr Bednorz, a national leader of the banned Solidarity movement, and 12 other activists at a meeting in the south-western city Wroclaw.

Iraq claims success

Iraq has claimed it has crushed Iran's new attack in the Gulf war, and has killed 1,000 Iranians. Page 8.

Begin at inquiry

Israeli Premier Menahem Begin told the inquiry into the Beirut massacre of Palestinian refugees that he knew of the Phalangists' action only two hours after it had started.

At least 10 were killed in fighting between Moslems and Christians in the Chouf mountains yesterday. Page 4

Storms hit Europe

At least 11 people were killed, mostly motorists hit by uprooted trees, as storms hit coastal, central and southern France. At least 10 people were killed and widespread damage reported after torrential rain in Spain. Ports were closed, roads blocked, and many towns blacked out in Portugal.

Jail fire kills 27

A mattress fire started by a prisoner in a jail at Biloxi, Mississippi, killed at least 27 prisoners and injured at least 61 people.

Basques charged

Three Basques, alleged members of the Spanish separatist movement Eta, were charged in France with criminal association and extortion.

Belgium at a halt

Local transport in Belgium was halted by a strike by workers protesting against cuts in services and employment levels.

Briefly . . .

South African petrol depot near the Mozambique border was badly damaged by sabotage. Page 8

Tanzania has made it illegal to damage coffee bushes, main source of foreign exchange earnings.

Princess Anne of Britain visited refugee camps in northern Somalia.

U.S. air force Phantom fighter crashed near Holzminden, West Germany, killing three.

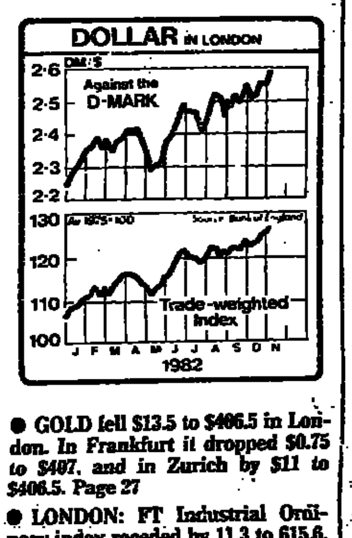
BUSINESS

Brussels outlines Gatt demands

● THE EEC will ask this month's Gatt conference in Geneva for greater access for Western products to some Third World countries which, it is argued, should give up some trade concessions. Page 18

● DOLLAR moved up to a record FFr 7.325 (from FFr.7.27) and a record L1,485 (L1,476.25), and to DM 2.594, its highest since mid-1976, from DM 2.579. It also rose to SwFr 2.236 (from SwFr 2.224), but fell to Y275.7 (Y276.3). Its Bank of England trade-weighted index advanced from 126.3 to 126.7. Page 34

● STERLING fell 95 points to $1.663, its lowest since November 1976, it was unchanged at SwFr 3.7, and improved to DM 4.2925 (DM 4.29) and FFr 12.11 (FFr 12.09). Its trade weighting eased from 92 to 91.8. Page 34



● GOLD fell $13.5 to $406.5 in London. In Frankfurt it dropped $0.75 to $407, and in Zurich by $11 to $406.5. Page 27

● LONDON: FT Industrial Ordinary index receded by 11.3 to 615.6. Government Securities were easier. Page 29

● WALL STREET: Dow Jones index closed 14.34 down at 1037.44. Page 28

● TOKYO: Nikkei Dow index rose 12.84 to 7,551.66. Stock Exchange index went up 0.52 to 555.89. Page 28

● HONG KONG: Hang Seng index slipped 8.17 to 851.65. Page 28

● AUSTRALIAN all-shares index closed at 518.9, 4.8 down. Page 28

● FRANKFURT: Commerzbank index eased by 1.4 to 702.8. Page 28

● LUCAS INDUSTRIES, motor and aircraft part maker, cut its dividend by 22 per cent, after pre-tax profits of £20.2m ($33.6m), and sent shares in the sector falling. Lex, Page 18; details, Page 22

● BARLOW RAND, the South African mining and industrial conglomerate announced a 4.4 per cent drop in net profits for the year ended September, to R245.9m ($213m). Page 21

● AIR FARES: Iata, meeting in Geneva, is considering increases averaging 7 to 10 per cent, by next spring. Page 18

● UK GOVERNMENT has told British Airways it wants to end financial support for Concorde in March. Page 39

● SOVIET foreign trade bank Vneshtorgbank is raising $110m in the Euromarkets to finance imports from Italy. Page 19

● PEPSICO, the U.S. soft drinks maker, has sacked executives in the U.S. and overseas, after an internal audit showed a $85m overstatement of pre-tax profits in recent years. Page 19

● MCA, the U.S. leisure and entertainment group that owns Universal studios, announced higher third-quarter profits of $74m, boosted by its most successful film, E.T. Page 19

● BRITOIL'S asset value has been calculated at £1.6bn ($2.66bn) by London stockbrokers Scott, Goff and Hancock. Page 9

£1BN INJECTION FOR PRIVATE INDUSTRY

Britain plans to cut real cost of public spending

BY OUR ECONOMICS, INDUSTRIAL AND POLITICAL STAFF

BRITAIN plans to reduce the real cost of public spending next year for the first time since 1977.

Sir Geoffrey Howe, Chancellor of the Exchequer, told parliament yesterday that next year's public spending target will be £120.06bn ($198.52bn), several hundred million pounds less than generally expected. At the same time he gave a £1bn cash injection to private industry, through a cut in the surcharge levied on employers for unemployment benefit.

Sir Geoffrey appeared at pains, however, to dampen any excessive optimism about scope for a giveaway in the next budget. His autumn financial statement yesterday showed scope for only £1bn of tax reductions in the spring and the assumptions behind this figure appear to be very cautious.

MPs of all parties nonetheless believe Sir Geoffrey has left himself appreciable room for manoeuvre for tax cuts as a possible forerunner to a general election next year.

His statement was made against the background of a new Treasury forecast for the UK economy which was considerably more pessimistic about the prospects for output and Britain's trading performance than its last forecast in March.

On the other hand, the Treasury now expects inflation to slow to an annual rate of 5 per cent early next year and to maintain this level throughout the year. It appears the Treasury is privately expecting the rate to drop perhaps to 4 per cent for some part of 1983.

Sir Geoffrey said that the 1 percentage point cut in the employers' National Insurance Surcharge to 1½ per cent would include a temporary half-point cut during the second half of this financial year. It would be worth about £700m to private industry in 1983–84.

He surprised MPs, however, by announcing a further cut in the surcharge in the current year which will be worth £350m to private industry. This cut will bring the average rate for the whole year down from 2 per cent to 1½ per cent.

He has clearly taken this step because it is now expected that public borrowing will undershoot its £9½bn target this year, and because of a desire to help companies pull out of the prolonged recession.

However, as if to emphasise his

Continued on Page 18

Reactions, Page 10; Editorial comment, Page 16; Lex, Page 18; Markets, Page 29

FORECASTS

State spending to increase 4½ per cent – £600m less than planned in the March budget.

Public borrowing of £8bn assumed for next year with scope for tax reductions, £1bn.

Output year on year rate to increase 1½ per cent next year.

Money GDP to rise 7 per cent next year to £294bn.

Exports to fall 1 per cent by volume this year, unchanged next year.

Imports to grow 4½ per cent this year and 5 per cent next.

Balance of payments current account surplus of £3½bn to disappear in 1983.

Inflation at 5 per cent from early 1983.

Unemployment, including school leavers, to average 3.13m this year and 3.37m in 1983-4.

Earnings to rise 6½ per cent next financial year.

French unemployment 'over 9% by 1988'

BY DAVID HOUSEGO IN PARIS

UNEMPLOYMENT in France will exceed 9 per cent of the active labour force, a higher level than today, by the end of President François Mitterrand's presidency in 1988, even on the most favourable economic assumptions.

This depressing conclusion for a Socialist administration committed to bringing down the number of jobless emerges from a wide variety of economic scenarios prepared by the Planning Commission as the basis for the new five-year plan 1984–1988.

The scenarios make allowance for a reduction of the authorised working week to 35 hours by 1985 instead of the present 39. But the effects of this and the slowdown in growth are insufficient to offset the 725,000 rise in the workforce during the period. The Government judges these employment conclusions to be politically unacceptable.

At the same time the Bureau d'informations et de previsions economiques (BIPE), a private forecasting agency, estimates that France's real economic growth next year will be only 0.5 per cent as opposed to the 2.0 per cent assumed in the 1983 budget. If correct the BIPE forecast would imply a substantial downward revision of tax receipts next year.

The scenarios for the 1984–88 period assume annual average growth rates for France's six main trading partners of between 1.5 to 2.8 per cent.

These reflect possible international conditions ranging from a return to 1975–1980 rates of growth, to prolonged recession or a new recovery led by the U.S. and Japan. France's growth rate, because of higher levels of public investment to modernise industry, is assumed to be marginally above the average ranging from 2.1–2.9 per cent. The Planning Commission says that the scenarios – worked out on the Government's main multi-sector macro-economic model – do not allow for the recent lowering of international growth horizons or the post-June devaluation measures

The Planning Commission outlines the main dilemma before the French economy as being that a growth rate marginally higher than France's competitors (+0.2 per cent) would generate an external trade deficit too high to be sustainable. On the other hand, giving priority to restoring the external balance would mean accepting a below-average growth rate (–0.2 per cent) and a worsening of unemployment.

M Michel Rocard, Minister of the Plan, put it more bluntly recently in outlining the tasks of the new plan. "Any growth rate above that of our main trading partners," he said, "would automatically lead to a deterioration of the external deficit."

Dispute over jobless relief, Page 18

Central bankers may block BIS $500m credit for Yugoslavia

BY PETER MONTAGNON IN BASLE

YUGOSLAVIA'S request for a $500m credit from the Bank for International Settlements (BIS) is likely to be rejected unless it is accompanied by a full-scale rescheduling package involving Western governments and commercial banks.

Despite a devaluation and severe austerity measures taken by the Government in Belgrade in the past month, central bankers attending the BIS monthly meeting in Basle said the country's problems were too deep-rooted to be solved by a short-term credit from Western central banks.

A rescheduling of Yugoslavia's $18bn foreign debt appeared inevitable, said one senior central banker yesterday. Once this was in train it might make sense for the central banks to arrange some bridging finance, but a short-term credit on its own would simply be used up by Christmas, he added.

Yugoslavia's request for a three-year BIS loan met a cool response from the outset. The maturity is far longer than other international credits granted by Western central banks.

It was not clear yesterday whether the bank had formally communicated a rejection of the request. Yugoslavia has been doing its utmost to arrange finance needed to stave off a rescheduling after new loans began to dry up in the wake of the Polish debt crisis and foreign exchange problems at a large commercial bank, Privaredna Banka of Zagreb.

The mood of central bankers in Basle is also overshadowed by the growing list of countries receiving or applying for central bank credits. These include Mexico, Hungary and Argentina, and commercial bankers expect that Brazil may also seek such a credit.

David Buchan writes from London: The scale of Yugoslavia's debt problem has involved this year repaying $2bn in medium and long-term loans and $700m in short-term loans, as well as meeting a $2bn bill for interest. Its 1983 and 1984 debt payments are about the same.

The Belgrade Government has not viewed credit from the BIS as an alternative to rescheduling its commercial debts. Indeed it has stressed publicly that rescheduling is not an option it is considering at present. National bank officials privately admit that their BIS request was in the nature of an opening bid in negotiations which by next year might provide some Western central bank money to replace the credit which Yugoslavia now finds it hard to borrow from commercial banks.

Argentine $750m bridging loan, Page 18

Denmark's partners seek EEC accord on fish

By Larry Klinger in Brussels

DENMARK'S EEC partners were last night struggling to discover if an eleventh hour compromise was possible to win Copenhagen's agreement on a common fisheries policy (CFP) that could be unanimously approved by all ten of the European Community's member states.

Significantly, the Nine yesterday morning drew back from pressing their ultimatum, delivered a fortnight ago, that they would implement a partial CFP unless Denmark accepted the latest proposals by the European Commission.

Denmark had been told that its partners would bring in measures individually, with the approval of the Commission, that would be less advantageous to Copenhagen than what had been offered last month.

Nevertheless, it was clear that any possible accommodation with Denmark would be difficult in the extreme. Not only did Denmark say that the latest proposals were still unacceptable, but it refused to reduce its central demands for a mackerel catch to ensure supplies for its modernised tinning industry and for licences to fish in waters around Britain's Shetland and Orkney Islands.

M Louis le Pensec, the French Fisheries Minister, also suggested that the Danes were seeking extra quotas for three more of the EEC's most valuable species – cod, saithe and haddock – as well as to fish with bigger boats in some areas.

On the other hand, the Nine maintained that the basic package agreed among themselves last month could not be altered. Mr Peter Walker, the British Fisheries Minister, assured UK industry representatives that he was not prepared to move from "the original pact" especially on mackerel fishing off the west of Scotland or on Shetland and Orkney licences.

The Community is fast approaching its year-end deadline to establish a comprehensive and durable fisheries policy.

The temporary fishing arrangements agreed ten years ago when Britain, Denmark and Ireland joined the EEC expire on December 31.

If the Commission does come up with a renewed basis for compromise, the prospect was growing last night that a further council would have to be called, probably in two weeks' time.

Western rift over pipeline near solution

BY JOHN WYLES IN BRUSSELS

THE U.S. and its main industrial allies have reached broad agreement on a new approach to their economic relations with the Soviet bloc, which should clear the way for President Reagan to lift his sanctions against suppliers of equipment for the Soviet gas pipeline to Western Europe.

A White House announcement on the sanctions was expected to follow a final round of talks in Washington yesterday to settle some important details of presentation.

Both the Europeans and the U.S. are anxious to avoid any repetition of the events which followed the Versailles summit in July, when President Reagan claimed that agreement had been reached, on restricting credits to the Soviet Union. This was then largely disavowed by President Mitterrand of France.

This appeared to trigger Mr Reagan's controversial embargo on the supply of pipeline equipment by U.S. and European companies. Settlement of the subsequent bitter row should do much to restore calm to the alliance, although Europe and the U.S. look likely to remain at odds on a number of international trade issues.

The new approach to dealing with the Soviet bloc will be based on a number of general statements of principle which are meant to act as criteria for subsequent detailed studies and discussions between the allies.

These will include Western purchases of energy supplies from the Soviet Union, the volume and type of credits to be granted to the Eastern bloc, sales of strategic goods and high technology and also of agricultural products.

The European parties to the Washington agreement – the UK, France, Italy and West Germany plus the European Commission and Denmark, representing the EEC Council of Ministers – are determined that the new approach should not be seen as a declaration of "trade war" on the Eastern bloc.

But they acknowledge that it may lead to a more restrictive trade strategy. This should be more effective than past arrangements, preventing a competitive scramble for business by Western countries from which the Soviets draw undue advantage.

The general principles which they will try to operate with the U.S. in future include avoiding the gift of any subsidy to the Soviet economy and denying Moscow and its allies any strategic advantage from their trade with the West.

It remains to be seen whether the U.S. and the Europeans – plus Canada and Japan, who are also world economic summit participants – are able to translate these principles into more detailed agreements without too much difficulty.

Allies' joint approach to Madrid conference, Page 3

Sweden to introduce 20% dividend tax

BY WILLIAM DULLFORCE IN STOCKHOLM

SWEDEN'S new Social Democratic Government will impose a special 20 per cent tax on company dividends next year, Mr Kjell-Olof Feldt, Finance Minister, announced yesterday.

The tax is one of the new economic measures contained in a bill to be submitted to the Riksdag (parliament) tomorrow. Mr Feldt said he was making a premature announcement to correct rumours which had affected trading on the stock exchange.

The new tax is intended to curb the profit gains which companies are expected to make in 1983 after the 16 per cent devaluation of the krona on October 8. It is also a profit-sharing move intended to persuade the trade unions to keep their wage demands low next year.

The tax will amount to 20 per cent of the dividend paid to shareholders by companies on the 1983 account. It will be paid into the "fourth pension fund," the fund in the state pension scheme which is authorised to invest on the stock exchange.

Mr Bengt Johansson, under-secretary in the Finance Ministry, said the tax could be expected to add some SKr 750m ($100m) to the fund's capital.

The scheme has been fiercely opposed by Swedish industry, but the Social Democrat Party and the blue-collar trade union federation were committed by their last congresses to introduce the funds.

CONTENTS

David White, in Paris, reviews the Socialist Government's plan for cable TV

France's £1bn gamble on a shot in the dark

ROUGHLY £1bn at 1982 prices: that is what French Government officials estimate to be the total investment involved in the country's newly-approved cable television plan over the next three years.

The figure, 60 per cent of which (FFr 7bn, or £578m) is projected to come from the Posts and Telecommunications Ministry, is twice what was *originally reported to be the* cost of the cabling scheme. It includes an ambitious approach *to programme production, and* equipment costs which industrialists believe may have been under-estimated.

A late arrival to the cable television revolution, France is *joining battle with a hefty salvo.* In several respects, it seems to be a shot in the dark.

The equipment project, providing for cable connections to 1.4m households, has been decided *before the question of* who will actually operate the new television networks.

The initiative for applying for cable licences is left to local authorities, such as Prime Minister Pierre Mauroy's home town of Lille, which has an advanced plan for a fibre optics network. The Ministry, responsible for the transmission *system itself, is counting on* these bodies to find about 30 per cent of the finance for the *stations.*

The make-up of the commercial operating companies is left open. Asked in what way local newspapers might participate, M Louis Mexandeau, the *Posts and Telecommunications* Minister, said that it was "up to the newspapers themselves."

Responsibility for programme production is to be given to "a competitive sector comprising *companies of all sizes,*" but the issue is coming under close government scrutiny. The Government *has waited until now* to set up an inter-ministerial committee to report urgently on the production question. What is clear is that, while the Socialists have lifted the official state monopoly, the Government wants to exercise fairly tight control.

M Mexandeau said that the kind of "unbridled anarchy" *seen in cable television in the* U.S. would be avoided, that networks would be able to broad*cast only approved programmes,* and that the Government was anxious these should be of "*a satisfactory educational and* cultural level."

The risk is that networks may *face the same problem experi*enced by the smaller-scale cable experiments launched in France in the early 1970s: lack of commercial viability.

From the Ministry's point of *view, the commercial difference* is made by the use of high-capacity optical fibres in the *network. These are seen as the* key to the next generation of telecommunications exports.

The cables will have multiple functions, from telephone communications and local distribution of satellite television broadcasts to a range of "interactive" video services. *Part of the calculation is that more* uses, as yet unsuspected, will *evolve.* "There will doubtless be channels that will remain unused for some while," M *Mexandeau admits.*

It is a long-term gamble. French video services are still *at the trial stage. Moreover, the* Socialists are trapped by their promise to test consumer acceptability before going ahead with ambitious gadgets such as electronic telephone directories.

The initial project covers FFr 7.5bn-worth of cable orders *planned between now and 1985,* with optical fibres being brought in "as soon as *possible.*"

The orders mainly concern companies in the recently enlarged nationalised sector—the CGE group—and a specially-created company, Fibres Optiques Industries, in which Saint-Gobain and Thomson-Brandt *share control. The com*panies are awaiting firmer instructions. It may take them *two years*—and, according to the Government's estimate, FFr 1.6bn in investment—to build up capacity to meet the demand for fibre optic cables.

New face for old politics among Spain's Communists

BY TOM BURNS IN MADRID

THE DECISION by Sr Santiago Carrillo to resign from the *leadership of the Spanish* Communist Party is likely to be a measure too little in *its scope* and too late in *its timing to* pull the party out of its present all-time political low.

The Communist rout in the October 28 general elections provoked Sr Carrillo's resignation and turned the party into a mere passive onlooker in politics, at least for the next four years legislature.

With just four seats in the 350-member congress, and with less than 5 per cent of the national vote, the Communists are *barred from forming a* parliamentary group and will be effectively silenced in the chamber.

Confronted with the disaster, Sr Carrillo has attempted a drastic facelift for the party by engineering the overwhelming *endorsement by the party's* central committee of his chosen successor, Sr Gerardo Iglesias.

The facelift appears, however, to go no further than that of a physical image: from being headed by the remaining survivor of the civil war politicians, the Spanish Communists now have a leader 30 years Sr Carrillo's junior, who at 37 is the youngest leader of a national party.

The difference in generations does not alter the fact that Sr Iglesias is viewed by Communist dissidents as at best a diligent disciple of Sr Carrillo and at worst a mere front-man for the veteran leader.

Critics allege that Sr Carrillo's morale-breaking drive against internal dissent a year ago, both against hardline pro-Soviets and moderate party *intellectuals, had a form of dry* run the previous year when Sr Iglesias purged the local *Asturias party federation he* headed of all opponents.

Despite Sr Iglesias' protestations to the contrary, the effective leader of the party is expected to continue to be Sr Carrillo who has significantly said he would continue to hold his congress seat. A second indicator that little has changed or is intended to change is the blanket refusal by Sr Carrillo and his loyal central committee to contemplate an extraordinary party congress.

Sr Iglesias' inheritence as party leader appears to be in *the tight control of watchful* trustees but his real problems concern the nature of the heirloom. The most salient feature of the electoral humiliation was that the Communists lost more than a million votes and dropped from just over 10 per cent of the votes cast in the 1979 elections to just under 4 per cent.

The massive voter rejection simply mirrored the increasingly bitter internal clashes that marked the past three years of Sr Carrillo's leader*ship. The casualties were as* much hardline worker leaders, particularly in Catalonia, who subscribed to orthodox Soviet communism, as they were the university-based intellectuals *who Sr Carrillo derided as* "golden beaks" oblivious to the fact that they were the most *attractive members of the party* for Communist-inclined voters.

Had Sr Carrillo stood down early on in the political transition process, dissidents argue, *communism in Spain might* have stood a chance, while Sr Carrillo himself would have *earned his place in the history* books as the leader who brought the party in from the cold.

Under a youthful leadership, the argument ran, the Communists who were certainly the left-wing front-runners during Francoism could have rivalled the successes that Sr Felipe Gonzalez' voter appeal gained for the Socialists.

Reviewing the changeover to Sr Iglesias, the party's former foreign affairs spokesman Sr *Manuel Azcarate, a prominent* "golden beak" who was purged last year, said yesterday: "I *have no hopes left for the* party, the very last opportunity for a renewal has been wasted."

E. German call-up objectors face trial

By Leslie Colitt in Berlin

GROWING NUMBERS of young East German conscientious objectors have been detained and face trial for refusing military service in *last week's East German army* call-up of 18-year-olds.

They have refused to join "construction" brigades, which are the only form of *military* service without weapons in East Germany.

The detentions coincide *with the opening of* 10 days of discussions by the East German Protestant Church *with young people* on pacifism which the Communist government sees as opposition *to the system.* The "peace week" is taking place under the church motto of "swords into ploughshares" which last year was taken up by conscientious objectors who were supported by the church.

Since then, the church has *agreed with the authorities* to stop distributing badges with the ploughshare slogan on *them which have been worn* by many young East Germans as a protest symbol.

***East German* churches on Sunday were filled with young people who heard pastors tell *them* the arms race is immoral in the West and the East. During the "peace week," church groups will discuss pacifism and its conflict with Communist *doctrine, which* calls pacifism a "bourgeois ideology," rejecting the concept of a "*just war.*"**

The East German church's most outspoken *critic of the missiles race,* pastor Rainer Eppelmann, has invited several oppositional East German authors to speak in his church this week.

Rommel stays Stuttgart's mayor

MANFRED ROMMEL, son of Nazi Field Marshall Erwin Rommel, has won overwhelming re-election for a second eight-year term as mayor of Stuttgart, AP reports from Stuttgart.

In city elections on Sunday, Rommel won 69.8 per cent of the vote. The 53-year-old mayor, tipped as a possible future leader of his Christian Democratic Union, crushed his nearest rival, Social Democrat Ulrich Maurer, who polled only 24.7 per cent of the vote.

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Eanes speech on 'reduced powers' provokes anger

BY DIANA SMITH IN LISBON

PORTUGAL'S democratic political parties have come out as *strongly critical* of the President of the Republic, Gen Antonio Ramalho Eanes, for a televised speech he made at the weekend.

Gen Eanes, addressing the nation for the first time since completion of the review of the Marxist-inspired 1976 constitution, chided politicians who had passed the constitutional review —Christian Democrats, Social Democrats, Monarchists and the Socialist opposition—for reducing his powers and warned that the situation might warrant the emergence of "new forms of organised political expression."

For some time, supporters of President Eanes have been working on a projected presidential party, which would stand to the left of centre. Until now, the traditionally-enigmatic head of state has refrained from publicly backing the idea.

Gen Eanes cannot run for a third term as president. His mandate expires in 1985, *when* he will still be in his 40s, and there would be no impediment to his running for premier at the head of a new political bloc.

Gen Eanes *now stands* as the most popular figure on the Portuguese political scene, far *ahead of any civilian politician.*

But many observers attribute this popularity to the lofty *stance he has maintained until* now, presenting the image of the detached, sober president of *all Portuguese, regardless of* party, which appeals to an austere element in the complex *Portuguese character. Stepping* into a political arena which annoys broad sectors of the Portuguese public because of its querulousness and time-wasting fascination with intrigues could backfire.

One of the most unattractive aspects of this arena is the endless row between the President and the Balsemao government compounded now by an outbreak of bad feeling with the Socialists.

Struggling to *brighten their* lacklustre image as an opposition, the Socialists of the *exuberant Mario Soares have repeatedly* demanded that Gen Eanes sack the government, dis*miss parliament and call a snap* general election.

In his speech, Gen Eanes sharply rapped the Socialists' knuckles for demanding this without having a considered alternative to offer. Their response was irate.

Complaining that *his powers* had been reduced, Gen Eanes indicated that it was not up to him to *dismiss the Premier,* who was now answerable to parliament, after the constitutional review but, *in his ambiguous* way, hinted that Parliament might be dismissed at some unspecified time if there were a question of consolidating democratic institutions.

As with all the *general's* sphinx-like speeches, more was said between the lines than *overtly, but most politicians did* not like what they decoded: the ruling Social Democrats, after *a long weekend meeting,* accused the head of state of "not behaving like a president."

Statfjord B offshore oil comes on stream

BY FAY GJESTER IN OSLO

THE WORLD'S largest offshore production platform, Statfjord B, came on stream at the weekend. The platform, in Norway's part of the North Sea, is the second of three which will eventually produce both oil and gas from the giant Anglo Norwegian Statfjord field.

At present, the two *platforms* in operation are producing only oil. *Associated* gas is being reinjected into the sea bed pending the completion, late in 1985, of the Statpipe gas gathering system. This will link Statfjord and several other Norwegian fields to the existing Ekofisk/Emden gas line.

Meanwhile, the oil ministry has tabled a white paper which shows that state oil company Statoil is less optimistic than it was a year ago about oil price trends. The white paper, published every year about this time, comments on the company's plans for the coming year and much of it is based on figures supplied by Statoil.

Because the company now sees *oil prices rising less* rapidly, its estimates of profits in 1982 and 1983 are lower than they were a year ago. It foresees, after tax, profit this year, as NKr 660m (£54.14m) *NKr 100m* less than estimated a year ago and that for 1983 at NKr 870m.

U.S. and Nato agree on joint approach to Madrid conference

BY DAVID TONGE, DIPLOMATIC CORRESPONDENT, IN LONDON

THE U.S. and its Nato allies yesterday reached a last-minute agreement on how to handle the Eastern bloc at the talks to review the Conference on Security and Co-operation, which resume in Madrid this morning.

An eve of conference meeting by the Nato group saw the U.S. drop its objections to continuing negotiations with the Soviet Union, despite developments in Poland and the continuing crackdown on Soviet dissidents, according to Western diplomats in Madrid.

The 35-nation conference to review the Helsinki final act started in November 1980 and adjourned in acrimony in March this year. Since then, Europeans have been stressing the need to agree on a mandate for a new conference to develop confidence-building measures with the Soviet Union, in particular on the prior notification of troop movements in the European area.

The West Europeans are also keen to see agreement being reached on a series of measures allowing better working conditions for businessmen and journalists; banning the jamming of radio broadcasts; strengthening the right to religious freedom; and ensuring citizens access to foreign missions in their countries.

These demands go beyond those agreed by the Western group before the conference broke up. Diplomats say that in exchange for this harder European line, the U.S. has agreed to drop its reservations about continuing to take part in the Madrid conference while repression in Poland continues.

Speaking on British television on Sunday, Mr Richard Burt, the newly appointed U.S. assistant Secretary of State for European Affairs, insisted that Poland meant that there was no way that the U.S. could have "business as usual" with the Soviet Union. He made clear that the U.S. had joined West European governments in backing the Conference on Disarmament in Europe, as the proposed new conference is called. He explained that this was because the CDE is an arms control initiative which would include Soviet territory for the first time." The Soviet Union has proposed that signatories of the Helsinki Final Act should notify each other of all significant troop movements between the Urals and the Atlantic, though this seemed to imply that movements in the U.S. should also be included. Arguments over how much of the Atlantic should be affected dominated negotiations in Madrid in the early part of this year. The West is apparently proposing that the CDE should only cover reinforcements to Europe via a clearly defined area of the Eastern Atlantic.

Jaruzelski agrees to June for Pope's visit

BY CHRISTOPHER BOBINSKI IN WARSAW

A SECOND visit by Pope John Paul to his native Poland will start next June 18, the Polish authorities and church have agreed.

The announcement of the trip came after a meeting yesterday morning between Archbishop Jozef Glemp, the Polish primate, and General Wojciech Jaruzelski, the martial law leader.

The present trip was postponed last August. Now the authorities appear to have reconciled they cannot continue postponing another Papal visit after the immensely successful June 1979 tour.

They have thus suppressed their apprehension that the visit could rouse the masses out of the apathy induced by the imposition of martial law last December.

Indeed, the authorities will now try and use the visit to maintain peace in the country and refurbish their image abroad.

Speaking in Lublin on Sunday, the primate pledged that the Pope would come to Poland "to proclaim peace and raise our spirits in this difficult time."

The meeting between Glemp and Jaruzelski came two days before the planned eight hour general strike and demonstrations called by the underground Solidarity leadership on the anniversary of the banned union's official constitution.

The communique says that both the primate and the general "voiced their concern for the preservation and strengthening of peace, order and honest work in society."

On Sunday, the Archbishop made it clear that the church could never condone or call for the use of violence by either side in the current struggle between the underground and the authorities.

However, in an apparent reference to the Solidarity call for action, Archbishop Glemp said: "We do not negate the right for social groups to their own assessment of the situation and their actions".

● Yesterday evening, Polish TV broadcast the second part of a question and answer meeting the Deputy Premier, Mr Mieczyslaw Rakowski held on Saturday with around 100 people representing those who had sent letters to the government this year.

Many speakers openly criticised moves such as the dissolution of Solidarity. The meeting represents an attempt by the authorities to defuse tension on these issues by giving them a public airing.

Acceptance for Italian steel plant lay-offs

By James Buxton in Rome

STEELWORKERS at Finsider's Bagnoli plant near Naples voted overwhelmingly yesterday to accept the plan for large-scale lay-offs which has been agreed by management and union after three weeks of intensive negotiations.

The agreement represents a substantial reduction in the amount of time workers will be laid off compared with the original proposal by the Finsider management. But it does mean that the Bagnoli plant's blast furnace will be inactive for six months and that the first substantial lay-offs in the Italian state-owned steel industry since the European steel crisis began in 1974 will take place.

Part of the price of the deal is that three financial institutions – Banco di Napoli, Isveimer and Istituto Mobiliare Italiano – overcome earlier reservations and decided to advance a total of L624bn ($423m) for the modernisation of the Bagnoli plant, which was built in 1910, and of the plants at Genoa and Taranto belonging to Finsider.

The cuts are intended to meet demands by the EEC Commission for a reduction in Italian steel production, which has recently been in excess of its quotas. But the restructuring plan, under which the investments will be made, has yet to be approved by Brussels.

Under the agreement, the blast furnace at Bagnoli will be closed for six months, against the originally proposed nine months, but will be kept hot during that period in order to convince workers that its temporary closure will not be permanent.

Some 5,400 workers out of 7,000 at the plant will go on to state-subsidised lay-off over a staggered period covering the nine and a half months until next July 31. The average period that workers will be laid off will be about five months each.

There will be three months of lay-off for 1,300 workers at the Finsider steel plants at Genoa, and a month for 800 workers at the plant at Taranto in southern Italy.

When the lay-off plans and the possible shut-down of the Bagnoli blast furnace were first announced at the beginning of October, there were repeated demonstrations in Naples in protest, which brought the centre of the city to a standstill.

The furore served to persuade reluctant banks to release financing which in some cases had been held up for several years, and which in the case of Bagnoli will enable restructuring work involving building two new continuous casting plants to go ahead.

A. H. Hermann describes a European Court ruling

Befuddled by port wine

THE PROHIBITION of discriminatory taxation of imported products included in the free trade agreement between the EEC and Portugal of July 22 1972, is directly applicable law and national courts of the member states should ensure that it is observed.

This conclusion, which the European Court reached on October 26 when answering questions submitted by the German Federal Finance Court, will be applicable not only to similar provisions in other free trade agreements concluded by the EEC with numerous countries, but also to other provisions of those agreements which are sufficiently clear and definitive.*

The ruling is likely to restrict the flexibility of EEC trade relations and negotiations with non-Community countries. Equally, by introducing automatic performance of obligations on the part of the EEC alone, it may diminish the possibility of enforcing performance of its obligation by the other party, and deprive the EEC of the convenient and customary weapon of reciprocity.

The decision, taken in a relatively insignificant dispute between the main Customs Office in Mainz and C. A. Kupferberg & Cie, an importer of port wines, took most observers by surprise. The court's ruling runs contrary, not only to the views submitted by the Governments of West Germany, France and Denmark, but also against that of the Commission. Moreover, though its legal logic is impeccable, its practical effects and motivation seem to be totally opposed to the court's Polydor judgment handed down earlier this year**.

The Polydor case, which was referred to the European Court by the London Court of Appeal, concerned the same agreement between the EEC and Portugal. The dispute was about the rights of a copyright owner to stop imports from Portugal of gramophone records which were placed on the market there with his agreement.

The question was, first, whether the law developed by the European Court for the protection of parallel importers and prohibiting the use of intellectual property rights for compartmentalisation of national markets within the EEC can also be applied to imports from Portugal. The second question asked whether such judge-made law (known as the "exhaustion doctrine") was directly applicable. The member governments and the Commission expressed in the course of the Polydor proceedings the opinion that the concept of direct effect, as developed in Community law, must not be transposed to the field of the Community's international relations. They argued that it was necessary to maintain in the context of free trade agreements a balance of the advantages and disadvantages which should exist between the parties to an international treaty.

Though the court did not express any opinion on this, the general tenor of the judgment made one expect that it would have agreed with this view had it found it necessary to make a ruling.

The European Court ruling that sufficiently clear and unconditional provisions of EEC free trade agreements have a direct legal effect may tie the hands of Community negotiators with non-EEC countries.

applicable and enforceable by national courts.

Though the wording of Article 36 of the EEC Treaty and of the relevant provision of the agreement with Portugal is almost identical, the European Court held that the same words have an entirely different meaning in the two instances. It said, essentially, that Article 36 of the EEC Treaty must be interpreted in the light of the general aim of the Treaty to create an integrated market. This aim was absent in the treaty with Portugal.

Moreover, this treaty did not provide for the institutional and legal instruments which the Community has at its disposal for achieving the uniform application of law and the progressive abolishing of legislative disparities. The court, therefore, ruled that the doctrine of exhaustion of intellectual property rights by the placing of the product on the market did not apply to trade with Portugal.

Having reached this conclusion, the court felt it was unnecessary to deal with the question of direct applicability.

This expectation proved wrong when in the port wine (Kupferberg) case, the court could no longer avoid the question. It reached the unexpected conclusion that a free trade agreement may have a direct effect on the basis of a reasoning clearly intended to strengthen the role of Community institutions in the field of international trade relations. It held that the provisions of an agreement concluded by the organs of the Community with an outside country, imposed on member states not only obligations towards that country, but first and foremost obligations towards the Community, which had assumed responsibility for the proper realisation of such agreements.

Agreements so concluded were an integral part of Community law, and their legal effects must be the same, whether applied by institutions of the Community or by member states. In particular, the effects must not depend on the legal effect, possibly different from country to country, which national laws accord to international agreements.

The court said further that the fact that the law of one of the contracting parties accorded direct effect to the provision of an agreement, while the courts of the other parties might refuse it, did not in itself constitute a lack of reciprocity in the operation of the agreement. Also, the fact that the free trade agreements provided for mixed committees to supervise the operation of the agreements, was no obstacle to a direct effect of provisions creating an unconditional and unequivocal obligation which did not require the intervention of such a committee. The provision at issue, which prohibited discriminatory taxation of imported products, was unconditional and was expressed with sufficient lucidity to create a direct effect, and to be respected by courts of member states.

Having thus established an elegant doctrine of far-reaching and potentially harmful consequences, the court proceeded to let the Mainz Customs Office off the hook. Though German legislation provides that fortified wine, such as port wine, would enjoy a lower rate of tax if produced by fruit co-operatives in Germany, no such wine was, in fact, produced by those co-operatives. And the "might be" was not enough to establish discrimination.

* Case 104/81, Hauptzollamt Mainz v. C. A. Kupferberg & Cie., judgment of 26 October 1982, unreported.

** Case 270/80, Polydor and RSO Records Inc. v. Harlequin Record Shops, judgment 9 February 1982, F. T. European Law Letter, March 1982.

EEC call for move to create youth jobs

By John Wyles in Brussels

EEC GOVERNMENTS are being urged to display a radical change of attitude to the task of creating jobs for the young unemployed when economic and social affairs ministers meet here next week for an unusual "jumbo" session of the Council of Ministers.

The cry for a more radical approach has been issued by the European Commission which is convinced that many Governments need to be more active on job creation because the overall economic situation will not be generating enough new jobs.

The Commission is still refining its own ideas, but it hopes that next week's joint session of economic and social ministers will give a political green light for it to develop initiatives to reduce and reorganise working time. It also wants a sign for approval for the addition of another £1.65bn of loan capacity for the New Community Instrument which supports infrastructure and energy investment.

The two sets of Ministers last met in joint session in May 1981, when they spent most of their time arguing whether there was scope or not for the Ten to introduce stronger demand support measures.

The political context this time is different. All governments have now embraced much more austere fiscal and monetary policies. Ironically, those arguing for greatest austerity last year, Britain and Germany, have more room for manoeuvre than the others to boost domestic demand.

Denmark, which led the calls for co-ordinated reflation last year, now has a Conservative government whose restrictive approach to next week's meeting is disappointing the Commission.

Union post on Chrysler board suspended

By Dan McCosh in Detroit

THE PRESIDENT of the United Auto Workers' Union, Mr Douglas Fraser, said yesterday he was suspending his participation in Chrysler's board of directors.

Mr Fraser said he wanted to ensure that there could be no question of his corporate post conflicting with the strike against the company by Canadian members.

His move brings into question the future of labour representation on the boards of U.S. corporation.

Mr Fraser is the first representative of the UAW to hold such a post with a U.S. car company, and one of the few union leaders to serve as a director of a large U.S. company.

He was appointed to the directorship two years ago as part of the agreement between Chrysler and the U.S. Government which guaranteed financing for the company in exchange for concessions from banks, suppliers and employees.

Since then, the question of conflict of interest has been raised by some union members.

Mr Fraser denies there is any actual conflict. He says he abstains on collective bargaining issues. The union leadership has also been asking for additional seats on Chrysler's board.

Yesterday, Mr Fraser said that when the union is on strike against the company even the appearance of conflict must be avoided.

Canadian members of the UAW went on strike against Chrysler Canada last Friday after refusing to agree to the extension of the labour agreement which had already been accepted by U.S. workers.

The Canadian strike has caused the shutdown of all Canadian operations

Reagan looks set to try for second term

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

PRESIDENT Ronald Reagan has given the clearest signal yet that he is likely to stand for a second term in 1984 by appointing his friend Mr Paul Laxalt to the chairmanship of the Republican national committee.

Mr Laxalt, a Republican senator from Nevada, was Mr Reagan's campaign manager in 1980.

Yesterday, Mr Laxalt said: "If I didn't think he was running for President, I wouldn't be taking the position."

The chairmanship of the committee will give him overall control of Republican strategy for the 1984 presidential and congressional campaigns.

Mr Laxalt added, however, that he did not think Mr Reagan had yet made a final decision, and need not do so until next summer or autumn.

Mr Reagan himself has said he will "let the people" make his choice. His health will also be a factor.

The latest polls have suggested Mr Reagan would narrowly beat both leading Democratic hopefuls, Senator Edward Kennedy, the front-runner, and Mr Walter Mondale, the former vice-president under Jimmy Carter. But the Democratic race is still wide open.

Senator Kennedy's aides say he has drawn great comfort from the success of a series of television advertisements, beamed into New Hampshire during the campaign for last Tuesday's mid-term elections.

New Hampshire, which borders Mr Kennedy's home state of Massachusetts, is important because it is the first state to hold a presidential primary.

The advertisements were designed to create a new, caring image for the senator, rather than try to make people forget the fatal 1969 Chappaquiddick accident, in which a young woman, Miss Mary Jo Kopechne, was killed. His aides concede the accident will always be with him.

Democratic drums beat in Brazil's fiefdoms

Next Monday the complicated voting system introduced by Brazil's ruling Partido Democratico Social (PDS)—which frankly admits including controls designed to help its cause—is put to the test in elections covering every level of office, save that of president, from state governor to local councillor. Andrew Whitley, recently in Recife, assesses the performance of the Partido do Movimento Democratico Brasiliero

AS THE heat of the day ebbed in the "Sertao"—the arid, scrubland interior of Brazil's north east—small knots of people began to gather in the large public square next to Petrolina's colonial-style church.

Overhead, strings of bare light-bulbs swung in the light breeze.

The flat-backed truck which would form the speakers' platform was in place; the loudspeaker vans scattered around the square. An old woman handed out little paper pennants and large posters of the candidates.

It was the fourth public meeting that day for Sr Marcos Freire, the opposition candidate for Governor of Pernambuco State. This was to be an unusually important rally, however, from which signs could be read as to whether or not the Sertao would give him enough votes to beat his government party rival, Sr Roberto Magalhaes.

The poor north east of Brazil—that vast bulge of land pushing out into the Atlantic—has, politically and economically, always been the virtually unchallenged fiefdom of a handful of local magnates, loyal since the 1964 coup to the military rulers in Brasilia and their regional lieutenants.

Sr Freire, leader of the Partido do Movimento Democratico Brasiliero (PMDB) in the outgoing Federal Senate, represents the Opposition grouping's main hope of breaking the Government stranglehold in the region.

A popular Senator from Pernambuco for the past eight years, he began this electoral campaign with an apparently unbeatable lead in the public opinion polls. But as the campaign enters its final phase Sr Freire finds himself behind, partly because the well-drilled Government machine is finally running on full power and partly, it is said, because his "Mr Clean" image has been tarnished by his taking on board as a Senate candidate Sr Cid Sampaio, an old-time politician and sugar plantation owner who has switched sides.

In Pernambuco, unlike some other Brazilian states, the PMDB—an uneasy alliance of factions of all political shades except the extreme right—represents the only practical alternative to the status quo. The three other national parties are inconsequential.

Predictably, its strength is much greater in the coastal urban regions and among the state's more politically conscious, and organised, sugar-cane workers than it is among the subsistence farmers and big landlords of the interior. None of the Sertao's politically powerful town mayors represent the party, a major handicap at election time.

Sr Marcos Freire

In Petrolina, Sr Freire was entering the heart of enemy territory. A fast-growing town in the wide Sao Francisco river, Petrolina is the home base of the Souza Coelho family, whose leading member heads the Government party in the Senate.

This was the last swing through the outlying towns of the Sertao, several of them hundreds of miles apart, for the PMDB caravan. For the remaining weeks of the campaign Sr Freire has decided to concentrate on rallying the faithful along the more populous coast.

Travelling on this trip with the caravan—a luxury bus, several cars and a light plane—was the top cast of candidates fielded by the state party. At each wayside halt they teamed up with the local men and occasionally women, running for the more humble posts.

In the small poverty-stricken town of Lagoa Grande the distinguished visitors from the coast took it in turns to mount a wooden stand and address the market day crowds. "Do you know what a nuclear submarine is?" demanded the Senate candidate in a rare flight of fancy. "It is a ship that goes under the water and throws bombs. The Government is spending 5bn cruzeiros (£13.5m) each on these, but is doing nothing about this terrible drought."

Oblivious to the Opposition politicians, the last touches were being put to a wall-sized copy of the ballot paper showing the approved list of Government candidates.

The requirement to opt for only the candidates of one party was specifically designed to assist the officially backed Partido Democratico Social (PDS) in areas such as the north east. "It has cost us a million votes in Pernambuco," a PMDB official complained—an exaggeration for the electorate is only 2.3m strong. But it has compelled the party to strengthen itself for the future by organising local branches and putting up candidates throughout the country's interior.

It has also spiced up Brazil's political vocabulary with a new phrase, the "prawn vote," so-called because to eat it means breaking off its head. Translated into political terms: the elector ignores the blank space marked "Governor" and votes only for the lower-level candidates he knows personally.

Without another of the unique features of the Brazilian electoral system, the *sublegenda*, the PMDB readily admits that it would stand little chance in the interior of Pernambuco. Affecting elections for mayor and Federal Senator, this device allows parties to run up to three competing candidates for the same post. The victor is the leading figure from the party which receives the highest accumulated vote—not necessarily the individual who tops the poll.

In Brazil's new democratic atmosphere, anachronistic features such as these, and the virtual ban on electoral publicity or debate on radio and television for two months before the poll, are not likely to be maintained after these elections.

The campaign themes concentrate on local issues. "The Sertao needs water — and dignity" read the PMDB's leaflets. Sr Marcus Freire promises to give a fair support price for beans and to back free trade unions instead of the Government-controlled syndicates.

Washington plan for Caribbean aid suffers reverse

BY HUGH O'SHAUGHNESSY, RECENTLY IN WASHINGTON

THE Caribbean Basin Initiative, the multi-billion dollar aid scheme which is the cornerstone of President Reagan's strategy in Central America and the Caribbean, has suffered a major reverse and may have to be scrapped altogether.

The U.S. government had been hoping Congress would give full approval to the scheme, aimed at bolstering the economies of a majority of the countries of the region, in the "lame-duck" session before Christmas.

However, in the wake of the results of last week's mid-term elections in the U.S. this is now unlikely, according to a senior State Department official.

Some observers in Washington are forecasting that the whole initiative will fall by the wayside as the new Congress, less responsive to President Reagan's priorities, convenes next year.

The deferment or possible scrapping of the initiative is a blow to the U.S. plans to contain unrest in the Caribbean and Central America.

At a recent conference in London Mr Robert Ryan, State Department co-ordinator for the initiative, firmly forecast that the plan would be approved by the U.S. Congress this year.

The initiative was first announced last December and comprised short-term balance of payments assistance of $350m (£206m) to be spent this year, long-term aid which could total $675m in 1984 and a package of trade and tax concessions designed to stimulate investment in and exports from Central America and the Caribbean. Of these components only the first has already received Congressional approval.

Despite the setback U.S. government officials are likely to continue lobbying Congress for approval for the whole package. At its launch a year ago U.S. officials forecast the initiative would prove tricky to manoeuvre through the U.S. legislature particularly as its tariff-cutting provisions would be resisted by protectionist lobbies in the U.S. Officials were last week expressing satisfaction the initiative had progressed as far as it had.

The setback to the initiative will be particularly worrying for the U.S. Government in its efforts to shore up the hard-pressed government of President Maganna in El Salvador, for which the largest share of the initiative funds, as measured on a per capita basis, was destined.

U.S. assistance for the Maganna government is also threatened by increasing doubts in Congress about the usefulness and legitimacy of Washington's efforts in support of one side in a civil war. Twice a year President Reagan has to certify that the human rights situation in El Salvador is improving. When this was last done in July the certification was greeted with some scepticism.

If President Reagan decides to issue a certification in January he may be exposed to increasing scepticism.

The U.S. is moving quickly to aid the Costa Rican Government which is suffering very tight financial constraints.

Following the visit to Washington last week of President Luis Alberto Monge in which he rejected military aid but called for economic assistance, State Department officials said the U.S. Administration would be persuading commercial banks to treat Costa Rica's appeal for funds with consideration.

The U.S. has already done similar persuading on behalf of Brazil. Washington is happy at the efforts at austerity introduced by the new social democratic administration of President Monge and the commitments to frugality given to the International Monetary Fund from which Costa Rica is seeking aid.

Antigua may end tax treaty

ANTIGUA WILL seek to end the U.S.-Antigua Income Tax Treaty in six months' time, Mr Lester Bird, Deputy Prime Minister of Antigua and Barbuda, said yesterday. The announcement is the first step towards setting up new banking, insurance, shipping and taxation legislation designed to establish Antigua as an offshore financial centre.

هكذا من الأصل

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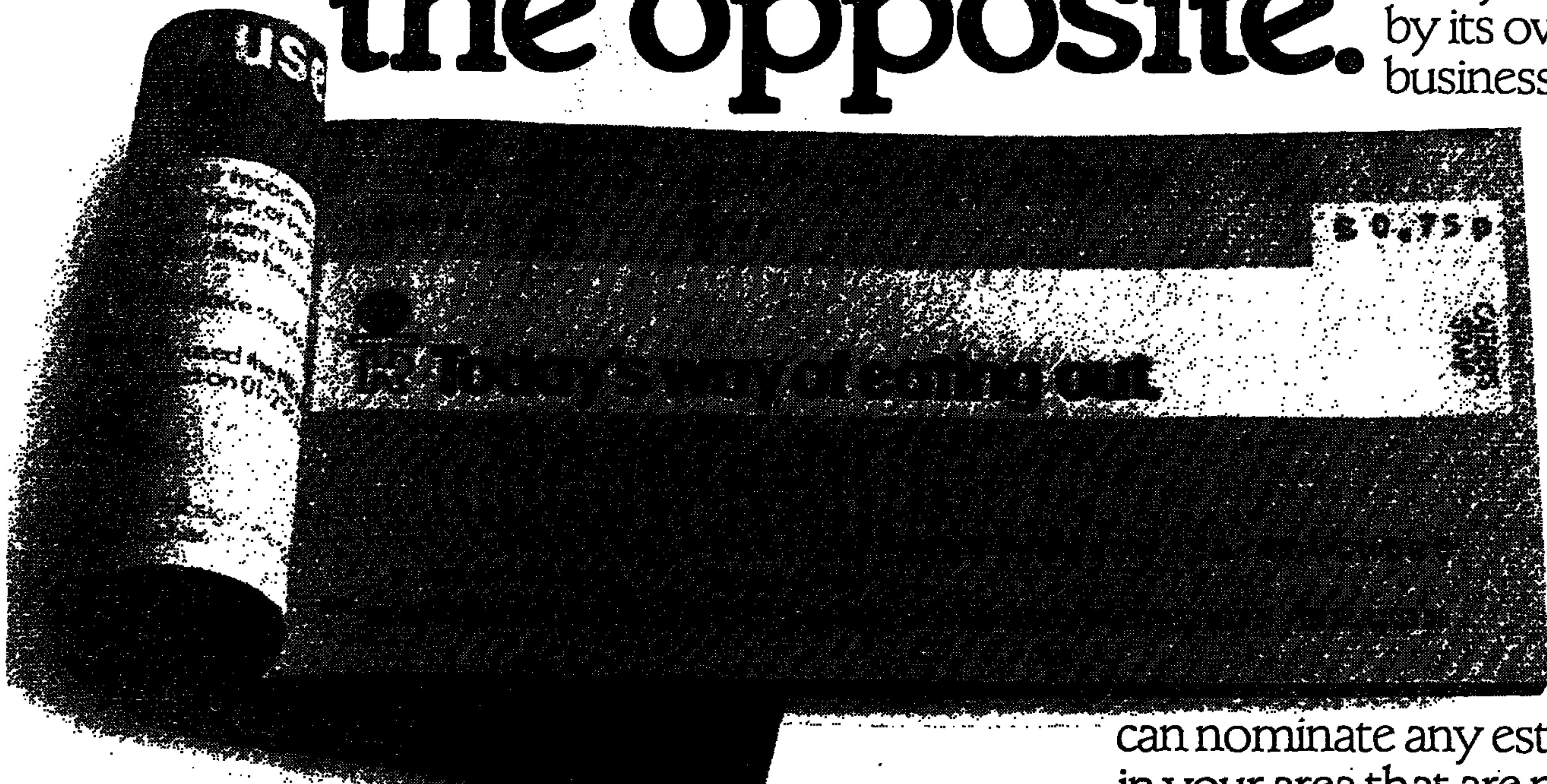

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WORLD TRADE NEWS

Jakarta awards contract to Kloeckner

By Our Jakarta Correspondent

THE INDONESIAN Government has finally awarded the construction contract for a 600,000 tonne a year alumina plant to a consortium of four companies led by Kloeckner Industrie Amlagen of West Germany. The contract for the plant, now estimated to cost in the region of \$750m (£451m) was to have been signed late last year, but was delayed because of technical difficulties.

The decision to go ahead means the government has moved another step closer to laying the basis for a fully integrated aluminium industry. The plant will use locally mined bauxite and will provide the alumina feedstock for a nearby aluminium smelter which is now in an advanced stage of construction by Japan on the east coast of north Sumatra.

The first stage of the \$1.8bn Asahan hydroelectric and aluminium smelter project started to come on stream earlier this year, and only last month recorded its first export sale of 8,000 tonnes of aluminium bars to Japan.

At the moment the smelter relies wholly on imports of alumina from Japan for its basic feedstock. But when the alumina plant, to be built on the nearby island of Bintan in the Riau archipelago, comes on stream in mid-1986, it is expected to supply almost all the feedstock necessary to run the Asahan smelter.

The Bintan alumina construction contract is worth around \$188m to the West German-led consortium which includes Indumont Montage Abwicklungs, Bilfinger under Berges ban Aktien Gesellschaft—both West German companies—and a local company, Coniplant Indonesia.

The total cost of the plant was estimated at around \$570m more than a year ago. Company officials now say the overall cost is likely to around \$570m.

Two separate contracts for technology and engineering were signed earlier this year. Kaiser Aluminium of the U.S. was awarded the contract to supply technology and technical assistance, while Kaiser Engineers, a separate company and a subsidiary of the Raymond group, also of the U.S. won the engineering contract.

Procurement will be put to tender on an internationally selected basis by PT Aneka Tambang, the government-owned state corporation for miscellaneous mining which will own and operate the plant.

Andrew Whitley in Rio de Janeiro on prospects for a Brazilian-Japanese project

Brazil tries to save vital alumina plant

TALKS critical for the future of the Alunorte project, an 800,000 tonne alumina plant due to come onstream in 1985, open in Rio this week between the Brazilian state company Vale do Rio Doce, CVRD, and its Japanese partners, the Nippon Amazon Aluminium Company, Nalco.

The Japanese are reported to be on the point of pulling out of the \$720m (£424m) project, in which they have a 49 per cent share, on the grounds that it is uneconomic, and CVRD is said to be preparing two counter-proposals.

● Reduce the scale of the plant, intended to be Brazil's largest, by half to 400,000 tonnes a year. Once the associated Albras aluminium plant is ready, in 1986, the situation would be reviewed.

● Delay the entire programme by two years to see if the world market recovers. This option has the advantage that the power source for the complex, the Tucurui Hydro-Electric dam in the Amazon, is already a year behind schedule.

The Albras-Alunorte project, with planned total investments of over \$2.1bn (£1.24bn), is central to Brazil's plans to open up the eastern Amazon region, through the Greater Carajas scheme.

The latest delay and possible cancellation for Alunorte will prejudice plans already being implemented to expand the Trombetas bauxite deposits in the middle Amazon—in which Shell has a large interest—from an annual capacity of 3.5m to 8m tonnes.

Acute

For the Brazilian authorities, which are anxious to establish a significant national presence in the country's fast growing aluminium industry, the problem is acute.

The government does not want to leave the industry, as at present, dominated by multinationals like Alcoa, Alcan and Shell. But it is having to cut back on all non-essential state spending, and Brasilia knows that CVRD already has its hands full with the \$5bn Carajas iron ore project.

To complicate the picture, Brazil has been presented with two tempting offers from Alcoa, to supply alumina for the planned Albras smelter from any of three foreign sources, at prices ranging well below the \$180 a tonne level at which Alunorte would have supplied the metal to its sister plant.

In September, Alcoa Australia was reported to have made what appeared to be a remarkable offer to CVRD: to supply it with alumina at only \$100 a tonne for a 10-year period.

A second proposal—made, according to the Gazeta Mercantil, Brazil's leading business newspaper, on September 9 by Alcoa's U.S. President—was to provide alumina from either Surinam or the U.S. itself, at prices varying between \$150 and \$180 a tonne.

For the Brazilian government the problem is also political. The twin projects, under construction near Belem on the mouth of the Amazon, formed part of a government protocol signed in Japan by President Ernesto Geisel in 1977.

Antonio Delfim Neto: no change in the project

So far the Japanese consortium, made up of 32 companies, has spent only \$94m on the project. A decision on a further \$320m allocated jointly for this year is pressing.

Estimates on the Brazilian side suggest that cancellation would cause losses amounting to \$115m, leaving aside any indemnification. Orders valued at \$350m have already been placed with local equipment suppliers and contractors.

Last week Sr Romeu Nascimento, the Brazilian president of the Albras-Alunorte consortium, denied that Nalco had already stopped its investments, pointing out that a \$10m payment had just been received from Japan.

Bullish

Meanwhile, the government, in the form of Sr Antonio Delfim Neto, the Planning Minister, is on record as saying there will be no change in the project: while CVRD is saying it does not intend to take up the Australian alumina option.

Despite these bullish sentiments, the present low state of the aluminium market and the Japanese consortium's reported greater interest in their Venezuelan and Indonesian projects are likely to force a revision of present plans for the embryonic Amazon plant.

Slow start for Sri Lanka's trade zone

BY K. K. SHARMA, RECENTLY IN COLOMBO

SRI LANKA'S free trade zone, launched four years ago to bring the benefits of a Singapore-type of system to the island republic, has still to gain momentum in attracting foreign investment and fulfil the ruling United National Party's hopes of swift development based on a free-market model.

Although 49 factories are now functioning in the zone out of 74 projects approved, the bulk of them are in the garments business. As such, they are competing with established Third World rivals in the region like Hong Kong, Taiwan and Singapore itself.

Other units make packaging mbaterials, electronic parts and accessories. Officials in the Greater Colombo Economic Commission, which administers the zone, admit that investment is only trickling in.

The zone, which was launched to compete with Singapore, was considered by the Sri Lankan government to be ideally placed. The island's location in the Indian Ocean makes it a natural calling point for sea-going traffic to the East and West.

Tax and duty concessions were designed to attract investors, and Sri Lanka also offered an abundance of a well-educated labour.

So far around 25,000 people have found new jobs, but inquiries for investments are only just beginning to pick up. The Commission thinks the zone suffers from a lack of publicity and that potential investors are not aware of the opportunities on offer.

A major campaign is now being mounted abroad. The focus of attention is on countries like South Korea, which wants to export capital and cannot find opportunities in more established centres like Hong Kong.

Officials are hoping for greater success now that the zone area is less desolate than when it was launched. Infrastructural facilities have been improved. Administrative buildings, a transport bay and bus stands are complete, and movement from unit to unit is easier.

In 1981 exports from the zone totalled \$58m (£34m), but this is considered nominal considering its potential. It makes the zone the seventh largest foreign exchange earner in the country, coming behind tea, refined petroleum products, remittances from Sri Lankans abroad, tourism, rubber and coconuts.

£143m pay-out in Norway for shipping loans

By Fay Gjester in Oslo

THE NORWEGIAN state-backed Guarantee Institute for Ships and Drilling Rigs, set up in the mid-1970s shipping crisis as a safety net for Norwegian ships and rig owners and their creditors, has so far cost Norwegian taxpayers NKr 1.73bn (£143m).

This is the amount the Guarantee Institute has so far undertaken to pay out in respect of its guarantee commitments on bad shipping loans. Its guarantee commitments on drilling rig loans were wound up without loss during the recent period of strong world demand for drilling rigs.

At the weekend, the government asked the Storting (parliament) to allocate the further NKr 497m in respect of the three latest guarantees which the institute has had to make good.

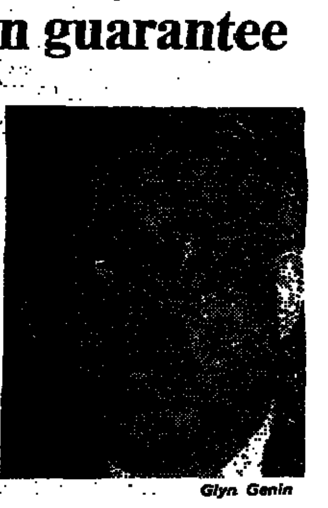
Most of the amount concerns guarantees on large tankers owned by the Oslo company Sigurd Herlofsen and the Haugesund Company Knut Knutsen O.A.S.

Philippines N-project wins U.S. loan guarantee

BY EMILIA TAGAZA IN MANILA

THE PHILIPPINE nuclear plant project has obtained a new \$204.5m (£123m) loan guarantee from the U.S. Export Import Bank. Mr Cesar Virata, the Prime Minister, announced that the state-owned National Power Corporation, which is responsible for commissioning the Philippines' first nuclear plant, will use the guarantee to borrow funds mainly from the Swiss and Japanese commercial capital markets.

Last year, the U.S. Eximbank granted the corporation a \$104.5m guarantee which was used equally to cover loans from Swiss and Japanese markets.



Glyn Genin

Cesar Virata

The 620-MW plant, which is being built by Westinghouse, is scheduled to come onstream in 1985. It is expected to cost \$1.9bn, well above the \$1.1bn estimate made at the start of construction in 1979.

The additional price covers cost increases resulting from the suspension of construction work after the accident in 1979 at the Three Mile Island plant in the U.S. It also covers the cost of additional safety features being incorporated in the plant.

Construction was halted for almost a year when the U.S. Nuclear Regulation Commission withheld Westinghouse's licence to export the main plant components to the Philippines.

RECESSION TAKES TOLL

Indonesia's exports face bleak outlook

BY RICHARD COWPER IN JAKARTA

THE WORLD oil surplus coupled with weak demand and poor prices for Indonesia's non-oil exports are likely to push this year's Indonesian exports down to their lowest level since 1979.

Figures issued by the Bank of Indonesia this week show that the country's total exports fell 13 per cent in value during first half, from \$10.83bn (£6.44bn) in January to June 1981 to \$9.939bn. After two years of record overseas sales it is clear that the world recession has finally caught up with Indonesia.

The main reason for the downturn has been a sharp fall in oil exports due to the world oil surplus. Indonesia is the largest oil exporter east of the Gulf and petroleum normally accounts for between 60 to 70 per cent of the country's total exports. Oil output is currently running below the 1.3m barrel-a-day total.

Opec oil ceiling (production averaged 1.6m b/d last year) indicating weak demand in Indonesia's traditional oil markets.

The Bank of Indonesia figures show that exports of crude oil and products fell by \$1.13bn to \$6.26bn in the first half, accounting for almost 80 per cent of the overall export decline of \$1.44bn. The Opec production ceiling only became effective from the beginning of April, however, so Indonesia's oil exports are expected to fall even further in the second half. Economists are predicting 1982 oil exports of under \$12.5bn, down from \$15.2bn last year.

In percentage terms non-oil exports appear to have fallen even more sharply. Whereas oil exports fell 14 per cent, non-oil exports declined from \$2.26bn in the first half of 1981 to around \$1.8bn, a fall of approximately 20 per cent.

According to the Bank's preliminary data the main reason for this decline was a sharp drop in the value of the country's top three non-oil exports: timber (down 34 per cent in the fist five months); rubber (down 43 per cent in the same period); and coffee (down 36 per cent).

The only bright spot was liquified natural gas (LNG). Indonesia—the world's largest exporter of this commodity—increased overseas sales of LNG by 14 per cent in the first half, from \$1.18bn (January-June 1981) to \$1.34bn in the same period this year, because of an increase in export volume.

The prospect of a further decline in oil exports during the second half of 1982 and little sign of an economic turn round in the industrialised countries has led economists to forecast total Indonesian exports for 1982 of around \$18.5bn, a 16 per cent drop on last year, making it the lowest level since 1979.

INDONESIAN EXPORTS
(January-June 1982 in \$bn)

Commodity	1978	1979	1980	1981	1982*	% change
Oil	3.50	3.62	6.43	7.39	6.26	−15
LNG	0.22	0.41	1.07	1.18	1.34	+14
Non-oil	1.55	2.46	3.30	2.26	1.79†	−21
Total	5.27	6.49	10.80	10.83	9.39	−13

* Preliminary figures. † Incomplete June figure.

Source: Bank of Indonesia

هكذا من الأصل

AMERICAN EXPRESS

Why this blue box became a bluer chip

On August 30th, American Express® became one of the 30 companies that make up the Dow Jones Industrial Index. It is a sign of the times.

QUIETLY, smoothly and nearly without notice, a new industry has emerged: it is the financial services industry. Like natural evolution it has been simple, inevitable and born out of need. It is consumer driven.

It is an industry without fire and turbines and smokestacks because its main focus is the management of financial assets.

Its product is information.

Information has become the fuel that drives the economy of America. But the fuel tank is reduced to the dimension of a 264K chip.

The financial services industry is new but already so large and full of future that one is staggered.

One company has been recognized as a leader: American Express. There are reasons.

JUST SINCE you began reading this, American Express has quietly managed to process billions of separate pieces of information that fuel travel and financial transactions.

Information that charges airline tickets, hotel rooms, dining out, the newest fashions and even figures mailing costs for a travel magazine; information that grows money funds, buys and sells equities and manages mergers; information that pays life insurance annuities, figures pricing for collision coverage and creates and pays mortgages.

And it has also processed information that schedules entertainment on cable television and electronically guards houses; information that changes kroners into guilders, figures tax rates in Bermuda and helps put financing together for the ebb and flow of world trade.

IT IS A SIGN OF THE FUTURE

IMAGINE what will happen when American Express puts all this information together for individual and corporate consumers in a marketing service with a variety of choices for them; when a business of personal service further harnesses the power of high technology.

Imagine our customers using one Card to shop, make travel arrangements, pay the mortgage, buy and sell stock, transfer assets for maximum appreciation and access savings.

Now imagine a little further into the future as American Express customers use their Card and their interactive television set to make almost every financial transaction imaginable, as well as using the set to entertain them and keep their house secure.

Few will leave home without us.

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Think of the growth it portends.

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We are proud that our blue box has become a bluer chip.

• AMERICAN EXPRESS COMPANY
• FIREMAN'S FUND INSURANCE COMPANIES • TRAVEL RELATED SERVICES GROUP • SHEARSON/AMERICAN EXPRESS FAMILY OF COMPANIES
• AMERICAN EXPRESS INTERNATIONAL BANKING CORPORATION • WARNER AMEX CABLE SERVICES (JOINTLY OWNED BY THE AMERICAN EXPRESS COMPANY AND WARNER COMMUNICATIONS, INC.)

Iran prepares to capitalise on gains in war with Iraq

BY OUR FOREIGN STAFF

IRAN is preparing for a full mobilisation of troops in advance of an all-out invasion of Iraq, according to Iranian officials.

The Iranian Government is clearly encouraged by the success of its recent military offensive *in which it claims to have* penetrated six miles inside Iraq.

Tehran radio said yesterday that some 800 Iraqi prisoners of war had arrived in Tehran—the first batch of 3,400 Iraqi soldiers captured in the past week.

Mr Hussein Mousavi, the Iranian Prime Minister, said yesterday that 45,000 Iraqi prisoners of war are in camps in Iran.

The success of the current offensive, which started a week ago, appears to have encouraged Iranian leaders, who are intent on pursuing the war until either the Iraqi army is completely defeated or President Saddam Hussein is overthrown.

Western diplomats in Tehran said yesterday that Iran is likely to launch two further attacks on Iraqi-held territory in the next few days. They believe the attacks will be at Naft-e-Shahr, 100 miles north of the current attack, and at Qasr-e-Shirin, on the main road to Baghdad.

Iranian confidence suffered when five attacks on the Iraqi *lines defending Basra failed to* break through last July, despite heavy Iranian casualties.

The present offensive seems to have restored Iranian morale. Government leaders in Tehran are emphasising that the overthrow of the present regime in Baghdad is one of their preconditions for ending the war.

The winter rains will make military manoeuvres more difficult in the next few months but will also negate Iraqi air superiority. Last year heavy rain and deep mud made it very difficult for the Iraqis to save their tanks and artillery from capture when they were forced to retreat.

Following the latest attack the Iranians claim they are within striking distance of key Iraqi positions.

Mary Frings in Bahrain assesses today's meeting of oil states

Gulf security high on Council agenda

THE SUCCESS of Iran's most recent attack in the Iran-Iraq war has given added urgency to today's meeting in Bahrain of the Gulf Co-operation Council (GCC), which groups the conservative Arab oil states of the western Gulf.

The GCC states — Saudi Arabia, Kuwait, Bahrain, Qatar, United Arab Emirates and Oman—were originally drawn together by fear of the outcome of the Iran-Iraq conflict and security issues will be high on the agenda of the six Heads of State. They are likely to renew their call for Iran and Iraq to accept mediation.

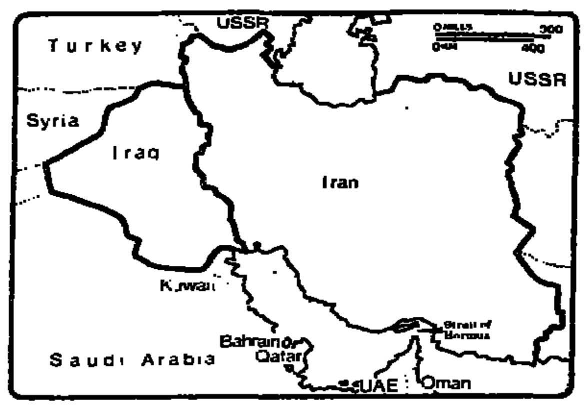
The six states are moving towards an integrated air defence system linked to the five Awacs radar surveillance aircraft to be delivered by the U.S. to Saudi Arabia in 1985, at a cost of \$8bn (£4.76bn). Several countries have already acquired Hawk anti-aircraft missiles and the decision by Bahrain to equip its tiny airforce with F-5s from Northrop points to further standardisation with Saudi Arabia.

The GCC defence ministers' council in Riyadh earlier this month is believed to have considered the formation of an inter-state committee to devise strategies for joint action, co-ordinate training and study the regional production of armaments. The formation of a Gulf multi-national force has, however, been vetoed by Saudi Arabia and Oman.

The declared objective of the GCC is to keep the superpowers out of the Gulf, and the U.S. Rapid Deployment Force (RDF) has been denied a permanent base there, but the presence of U.S. military infrastructure would make it easier for the GCC states to call on the RDF in an emergency beyond their own limited capacity to respond. Indeed, Oman is to allow a U.S. landing on its territory as part of an exercise in the Gulf and Indian Ocean.

GCC interior ministers have also been working to provide mutual back-up for their internal security forces and to pool their intelligence resources. A multi-lateral security pact is expected to be the result.

The six heads of the GCC states are also expected to ratify a number of steps towards the implementation of the economic agreement drawn up by their finance and economy ministers last year and due to come into force on December 1. The agreement, approved in principle at the



second summit in Riyadh last *November, provides for a free* flow of trade and investment among member states, and a common tariff barrier against foreign imports which compete with regional products.

While Gulf nationals will be free to set up industrial and agricultural projects and contracting companies in other GCC states, the thorny issue of whether they may establish trading companies and import agencies has been side-stepped *initially to avoid a confronta*tion with the UAE. In defiance of the spirit of the GCC charter, a new federal law has been introduced within the past year decreeing that commercial agencies may be held only by UAE nationals.

Less controversial is the plan to set up a Gulf investment corporation to buy equity in regional and international projects. The scale of funds at its *disposal — variously put at* between \$500m and \$3bn—may be decided this week.

The ministerial councils on industry over the past year have been mainly concerned with the long-term development of five key industries—steel, aluminium, petrochemicals, fertilisers and cement—and the initiation of studies on how best to ensure the security of water and energy supplies. This could include a distribution *system for gas* or liquid hydrocarbons to meet a shortfall in individual states.

The pursuit of these objectives will not require a decision from the summit until they affect national legislation, but one project expected to be given the go-ahead this week is the establishment of a central bureau for industrial standards and specifications.

Begin denies being warned of massacre

BY DAVID LENNON IN TEL AVIV

Mr Menachem Begin

MR MENACHEM BEGIN, the Israeli Prime Minister, said yesterday it had never occurred to him that there could be a massacre of Palestinian refugees in Beirut, even though the Chief of Staff had told the Cabinet that the Lebanese Phalangists were bent on revenge.

The Premier also told the Israeli commission of inquiry into the massacre that he had learnt of the Phalangists' entry into the refugee camps at a Cabinet meeting two hours after the operation had begun.

Mr Begin also said that the decision by General Ariel Sharon, the Defence Minister, to send in the Christian forces to clean out the camps was in line with a Cabinet decision taken on June 15 – 10 days after the Israeli invasion of Lebanon began.

Mr Begin testified for 45 minutes before the commission, which he had reluctantly appointed to inquire into Israel's role in the massacre of hundreds of Palestinian refugees in the Sabra and Chatilla camps in Beirut in September.

Responding to questions from the commission, Mr Begin asserted that none of the intelligence or defence experts had warned the Cabinet or himself personally about the dangers of a slaughter of refugees if the Christian forces entered their camps.

According to the Premier, Mr David Levy, a deputy Prime Minister, did "express serious fears" about this at the Cabinet meeting, but he did not demand a debate or a vote on removing the Phalangists from the camps.

At this point, the commission members drew the Premier's attention to the protocol of the Cabinet discussion on the crucial Thursday evening.

It revealed that the Chief of Staff, Gen Rafael Eitan, also spoke to the ministers about the possibility of the Christians taking revenge action. He said the Phalangist network was already "sharpening its knives."

According to the Cabinet minutes, General Eitan had warned that, after the killing of the Phalangists' leader, Mr Bashir Gemayel, there would be "an outburst of revenge."

A clearly confused Mr Begin stumbled over his response, eventually falling back on the defence that this had not set off a red warning light among any of his Ministers.

The Cabinet simply noted the Phalangists' entry to the camps, the Premier said.

Mr Begin said he had only learnt about the massacre when he listened to a BBC World Service news report on Saturday afternoon, three days after the Phalangists began their operation.

Under persistent questioning, he denied that he had spoken with the Chief of Staff earlier that same day about events in the Gaza hospital in the Sabra refugee camp.

The commission decided not to prolong the Premier's testimony and also waived the right to question him in an additional session which will not be open to the media.

In general, the questioning by the three-man commission was polite and many inconsistencies in Mr Begin's testimony were ignored.

The commission has heard evidence from the Defence Minister, the Chief of Staff and senior Israeli military and intelligence officers.

It is expected to spend many more weeks trying to ascertain the precise Israeli role in the events surrounding the slaughter of the Palestinians.

At least 12 killed in Lebanon violence

BY NORA BOUSTANY IN BEIRUT

AT LEAST 12 people were killed and as many wounded in renewed sectarian violence in villages east of Beirut yesterday. The incident followed a day of kidnapping and counter-kidnappings.

The clashes between Druze fighters of the Progressive Socialist Party (PSP) and Christian Militiamen of the Phalange-dominated Lebanese-Forces broke out in the Chouf Hills.

Christian right-wing radio stations said nine people were killed during a funeral procession in the village of Kfar Nabrakh, 25 miles south-east of Beirut, when PSP gunmen attacked mourners.

Voice of Lebanon, mouthpiece of the Phalange party, said three of the PSP attackers were killed.

The fighting followed special measures taken by the army and internal security forces to police areas of tension with local representatives.

Kfar Nabrakh is a mixed Christian-Druze town and the funeral ceremony was being held for one of its Christian residents. Beirut state radio said several houses in the village were set on fire.

The official government radio said Israeli forces in control of the area set up roadblocks at the town of Maaser near Kfarnabrakh and prevented Lebanese gendarmes (internal security forces) from entering the region.

On Sunday around 120 people were kidnapped, triggering tension in the Chouf that only eased with the release of about 50 detainees from each side.

Druze-Christian friction in the Chouf and Aley districts in recent weeks has marred government efforts to restore authority and calm over all of Lebanon.

Relative calm was finally achieved last week when President Amin Gemayel met with leaders of the Christian militia and Druze representatives.

Agreement was reached to remove armed men from roads linking Chouf villages together. However, yesterday's clashes disrupted the uneasy truce in the mountains.

Mr Joseph al Hashem, the Phalange official in charge of the Chouf yesterday threatened to boycott meetings aimed at consolidating peace in the mountains, if "outright provocations" continued against Christian residents, and if the assailants were not handed over to the law.

No statement was made by the PSP yesterday, but it is known that it is opposed to the presence of Christian Militias in its midst. Lebanese forces returned to the previously Syrian-Palestinian held Chouf after the Israeli invasion of Lebanon in June.

The Lebanese Government yesterday asked Austria and Belgium if they were willing to send troops to join the three-nation multinational force serving in Lebanon.

Lebanon has approached Britain, Sweden, the Netherlands and South Korea with similar requests, the state-run Beirut Radio reported yesterday.

Britain said it would consider the matter carefully. Morocco is reported to be the only Arab country to have been approached to contribute troops to the force in which Italy, France and the U.S. are participating.

President Gemayel has said he would like to see the multinational force grow to 30,000 men, from its present 3,800.

This would make it possible for the international peacekeeping force to be deployed outside Beirut, which would facilitate the withdrawal of Israeli, Syrian and Palestinan guerrillas from the rest of Lebanon.

S. African petrol depot damaged by bomb

BY J. D. F. JONES IN JOHANNESBURG

A PETROL storage depot in Northern Natal, near the Swaziland and Mozambique borders, was seriously damaged in a sabotage attack early yesterday. No casualties were reported.

It is assumed here that the bomb attack at Mkuze was the work of African National Congress (ANC) guerrillas, who may have crossed the border from either Swaziland or Mozambique.

The Swazi authorities have recently been trying to clamp down on military activities by the ANC inside the country.

In an unusual step, a recent statement issued through the high court warned of strict penalties for the unlawful possession of arms.

This is the first reported sabotage incident inside South Africa for several months, after a rash of incidents in the middle of the year.

At the end of September two men were killed in a grenade explosion in their car in Boksburg. Police said the men were trained by the ANC and had been involved in several sabotage incidents in the previous 15 months, operating from staging points in Mozambique, Swaziland and Lesotho.

Yesterday's bombing was close to an area which the South African Government has been proposing to cede to Swaziland.

UK NEWS

Retail sales rebound to 3-year high

BY ROBIN PAULEY

THE LEVEL of sales in Britain's shops hit its highest level during the third quarter of this year after three of the most difficult years retailers have known.

All the signs are that consumer spending will continue at a high level all the way into the Christmas boom and the New Year sales.

Revised figures from the Trade Department yesterday show that the volume of retail sales in the third quarter was 2½ per cent higher than in the second quarter and 3 per cent higher than in the third quarter of last year.

The retail sales index for September was finally set at 109.1 seasonally adjusted after a provisional figure of 109.0. This a slight reduction of August's exceptionally high 109.2. But it is 3 per cent up on September last year when the index was stuck at 105.9 and retailers were in the middle of a prolonged squeeze on margins with no relief in sight.

The indications are that extra money in households from mortgage interest repayment cuts is being spent rather than saved. A further cut of up to 2 percentage points on the mortgage rate is imminent and will give a further boost to retail sales. As the consumer recovery is not being reflected anywhere in British manufacturing industry's order books, there are growing fears that virtually all of the extra spending is leaking into imports.

Relaxation of hire purchase controls has also helped to boost sales and the third quarter saw a large jump in credit advances to match the new spending surge. Total credit advances in the third quarter were 10 per cent higher than in the second quarter. New credit in September was £843m and in August £855m; the only two months this year it has exceeded £800m.

Lending by finance houses and consumer credit specialists increased by 15 per cent between the second and third quarters. By the end of September the total amount outstanding in consumer credit was £10.83bn, 15 per cent more than a year earlier.

Vauxhall revival worries unions

Workers at General Motors' UK subsidiary are challenging the company's reliance on European imports to meet an upturn in demand, writes BRIAN GROOM.

MR John Bagshaw, the no-nonsense Australian who directs Vauxhall Motors' UK car operations, had two aims when he arrived last year from General Motors, its U.S. parent: to revitalise a demoralised workforce, and sell more cars.

He has manifestly succeeded in the latter aim, with the help of the fast-selling Cavalier, Vauxhall's medium-sized model for the vital company fleet market. Vauxhall-Opel's share of British new car registrations in October was 12.71 per cent, compared with 8.01 per cent a year before.

But all is not well with the workforce. Indeed, a number of factors indicate that many of the 15,000 hourly-paid workers are angry:

● Production was halted at Vauxhall's Luton car plant and Dunstable truck factory yesterday by a one-day strike in protest at the company's 8 per cent pay offer. Its other plant at Ellesmere Port, however, worked normally.

● Two coachloads of Luton and Dunstable workers picketed Sheerness docks, in an increasingly bitter row over the high level of imports from the company's sister plants on the Continent.

● The Transport and General Workers' Union is threatening to refuse to handle General Motors Spanish-built S-Car when it arrives in the UK in the spring, also in protest at imports.

Morale is, however, vastly better than two years ago, when 1980 losses were running at £83m, short-time working was rife, and there were doubts about the future of some of the UK operations.

Vauxhall's reputation for bad labour relations has improved, and there have been few stoppages so far this year. Production schedules are being met, and quality standards have improved to the point where they compare with GM plants overseas. Productivity has increased.

The company, which has made an annual net profit only once in the last 12 years, may make an operating profit this year and a net profit next. But Vauxhall faces a number of hurdles before it returns to a secure and profitable condition.

Pay is likely to prove the least serious of these. The 8 per cent offer is high on current trends. It is worth 9 per cent if fringe items are added in – and Vauxhall executives believe it would have won acceptance by now were it not for the imports issue.

The Luton plant assembles the Cavalier, and frustration there stems from the unions' belief that they are not sharing in its success. Although the plant is running at something approaching full capacity, their demand for a second daily shift has been refused, and Cavalier imports from Antwerp have been running at over 40 per cent of UK sales.

Linfood issues writ against Fitch Lovell

BY RAY MAUGHAN

THE AFTERMATH of the fiercely contested £82m offer for the food manufacturing, wholesale and retail group, Fitch Lovell, is a writ issued by the former bidder, Linfood Holdings.

Linfood's share offer was referred in the middle of last week for investigation by the Monopolies and Mergers Commission and accordingly lapsed. Linfood intends to sit through the six-month reference period and argue the case for the merger with Fitch Lovell before the commission.

Linfood explained yesterday that it had been "reluctantly obliged" to issue the writ because, it alleges, the statements in Fitch Lovell's defence document on October 28 "are defamatory of Linfood and its directors in that the Fitch Lovell defence document suggested that the directors of Linfood had been untruthful in statements made by them in the offer document."

The former bidder alleged yesterday that the defence document "could seriously damage the credibility of Linfood, its chairman and its directors if the allegations by Fitch Lovell of deceit and untruthfulness were to be allowed to go unchallenged."

Fitch stressed last night that the "action brought by Linfood will be vigorously contested." The defence regretted Linfood's decision to start proceedings.

Linfood served the writ yesterday on Mr Michael Webster, chairman of Fitch Lovell, and the company itself.

The writ alleges that the defendants "falsely and maliciously printed and published, or caused to be printed and published," a statement to Fitch Lovell shareholders claiming that "Linfood Holdings have not told you or your board what their real intentions would be if they laid hands on our group."

Britoil's assets valued at £1.6bn by stockbroker

BY RICHARD JOHNS

BRITOIL, the state-owned oil exploration and production company is given an asset value of £1.6bn – based on what now seem likely rates of inflation, movement in oil prices and depletion of reserves – by stockbrokers Scott, Goff and Hancock.

Its study, released a week before the Government's offer to the public of 51 per cent of Britoil's shares, concludes that a market capitalisation of £880m-£1.075bn would be supported by the share sale of £450-550m evidently envisaged by Mr Nigel Lawson, Secretary of State for Energy.

In its evaluation, Scott, Goff and Hancock has taken into account the details contained in Britoil's five-year projections which were made in September and were subject to revision. The study regards the assumption of the document that all prices will be $36 per barrel in 1983, rising by 11 per cent a year until 1987 and by 9 per cent thereafter, as "too optimistic in the current situation."

The calculation of Britoil's asset value is based on an oil price constant in dollar terms until 1984, but thereafter rising by 7.5 per cent annually. It is also based on a discount rate – relating to inflation, interest rate, and depletion of reserves – of 12 per cent, and a steady exchange rate of $1.70.

At one extreme a 10 per cent rise in oil prices after 1984 and a 10.5 per cent discount rate would give an asset value of $2.03bn. At the other extreme maintenance of oil prices at a constant level and a 15 per cent discount rate would give a low figure of $851m.

The firm foresees Britoil having to resort to external finance if it is to pursue a major diversification abroad which will be required to maintain its basis of reserves in the 1990s, as smaller fields in the UK sector of the North Sea become harder to exploit.

Based on the evidence revealed last week about the company's corporate plans, it believes that the company's debt could amount to about 25 per cent of capital employed.

The market capitalisation in prospect – the exact figure will be revealed in the prospectus to be published later this week – would involve a discount to asset value of 34-45 per cent, if only fields in production or under development are considered.

More UK news on Page 30

Wholesale price rise slows again

BY OUR ECONOMICS STAFF

THE RATE of increase of manufacturers' wholesale prices continued its downward path last month. This renewed Government optimism that its targets of 6.5 per cent retail price inflation by the year end and 5 per cent by the spring will be achieved.

Figures published yesterday by the Industry Department showed manufacturers' prices rose 0.6 per cent in October compared with 0.5 per cent in September.

This caused the annual rate of increase to fall 7.4 per cent in October from 7.7 per cent in September, the lowest rate since July 1978 (also 7.4 per cent). The previous low was 7.2 per cent in August 1973.

There was another substantial fall in industry's fuel and raw material costs, which continue to rise at an annual rate of only just over 3 per cent. The monthly increase in October was 0.3 per cent compared with 0.7 per cent in September.

The Government and analysts watch the wholesale price index movements very closely since they give early indications as to the likely movement of the retail prices index.

The latest figures confirm the underlying downward tendency of recent months on which Sir Geoffrey Howe, the Chancellor of the Exchequer, has based his new low prediction of 5 per cent inflation early in 1983.

The index for the wholesale prices of British manufactured goods rose to 244.7 in October (1975=100) compared with 243.2 in September and 241.7 in August.

Once again higher prices for petrol and petroleum products were mainly responsible for price rises, although there were further falls in new car prices during October, which helped to keep the index down.

Two thirds of the increase in wholesale prices charged by non-food manufacturing industry were caused by higher petroleum product prices.

The index for the wholesale price of manufacturing industry's supplies increased 0.3 per cent in October to 246.4 (1975=100) compared with 245.7 in September and 244.1 in August. The annual rate of increase was 3.4 per cent in October compared with 3.3 per cent in September and 3.1 per cent in August.

This is a very stable set of figures on an index which is exceptionally erratic and not, therefore, very reliable for month-by-month interpretations.

Du Cann to be chairman of Laker tour company

BY ARTHUR SANDLES IN CANNES

MR EDWARD DU CANN, a Conservative MP, is to be chairman of Freddie Laker Holidays, the tour company being set up by Sir Freddie Laker with Lonhro backing.

Sir Freddie is awaiting Civil Aviation Authority approval of his application for a licence to start up in business again. He has now also applied for membership of the Association of British Travel Agents (Abta), a crucial step to re-entering the travel establishment.

Freddie Laker Holidays has told Abta that it will be capitalised at £750,000 and that the equity will be split almost equally between Lonhro and a new company, Lafal. The initials indicate Sir Freddie's control of that organisation.

Mr Du Cann's involvement and membership of Abta would go a great way towards restoring Sir Freddie's image in the travel trade.

However, his readmittance to Abta may prove to be less than smooth. His application will be examined by a full Abta committee. "The debate is likely to be a heated one," said one Abta member at the association's annual conference which is being held this week

Sir Freddie has told Abta that his company would be aiming for a turnover of around £6m in its first year.

Overseas aid raised by £20m

By David Tonge

THE GOVERNMENT has decided to increase Britain's overseas aid programme in the coming fiscal year, partially compensating for the cuts the programme has suffered since the Conservatives came to power in 1979. The increase appears to take account of the requirements of the Falkland Islanders.

The Overseas Development Administration announced yesterday that, as a result of the review by the Chancellor of the Exchequer, the net aid programme in 1983/4 would be £1,035m, around £20m higher than previous plans. This represents an 8.9 per cent increase in cash terms on the 1982/83 level. Allowing for probable inflation, the aid programme will be around 3 per cent higher than current levels, the present year has seen an 11 per cent cut in the volume of aid.

The announcement comes two weeks after Britain's partners in the Paris-based Organisation for Economic Co-operation and Development had declared their "deep concern" at Britain's aid cuts. In 1981 Britain gave 0.44 per cent of its gross national product in aid, coming ninth among Western aid donors. When ranked by income per head, it comes 14th.

Glaxo deal for drug in U.S.

By Carla Rapoport

GLAXO, the pharmaceuticals group whose shares have been a top stock market performer in recent weeks, has reached agreement with Hoffman-La Roche, the Swiss pharmaceuticals giant, to promote its new anti-ulcer drug in the U.S.

The deal is thought to be the first of its kind in the hotly competitive U.S. pharmaceuticals market.

The new drug, Zantac, has yet to be approved by the U.S. Food and Drug Administration, but the company is hopeful that approval will be received early next year. Zantac has already been successfully received in the UK, Italy and West Germany. It is estimated to have achieved sales of £30m in the year to last June.

Glaxo yesterday explained that the deal with Hoffmann-La Roche is a joint promotion venture, not a licensing agreement. The company would not release any financial information on the deal, but said its marketing forces in the U.S. would be joining up with those of the Swiss group in order to establish Zantac and give Glaxo a "major presence in the U.S. pharmaceutical market place."

Glaxo has already launched an anti-asthmatic drug in the U.S.

UK NEWS—THE ECONOMIC STATEMENT

Impact on industry

Business costs will be cut £900m by 1984, says CBI

MOST LEADERS of industry put a brave face on the impact of the Chancellor's statement, even though they received far less than they had been hoping for. The major concession is the cut in the National Insurance Surcharge which is enhanced by a special arrangement to give an extra ½ percentage point cut in the first three months of next year.

Taken with the freeze in gas prices for industrial and commercial customers, this brought a somewhat surprisingly favourable comment from Sir Terence Beckett, director-general of the Confederation of British Industry, who said Sir Geoffrey Howe had been "imaginative."

The CBI totted up the concessions and said they meant that "business costs will have been reduced by nearly £900m by April 1984." This total consisted of £700m for the 1983-84 cut in the surcharge, plus £350m for the extra cut from next January to March and £70m for the gas price freeze (which Sir Geoffrey did not actually mention in his statement), less £250m for increases in employers' national insurance contributions.

That produced a total of £870m which the CBI, in its present magnanimous mood, publicised as "nearly £900m."

Whether Sir Terence believes more help is on the way for industry was not clear last night. Certainly industrialists are still hoping for cuts in electricity tariffs for bulk users before the National Economic Development Council debates energy costs early next month.

And there is also the announcement expected today from Mr Patrick Jenkin, Industry Secretary, that he is ending the moratorium introduced in 1979 on regional development grants under which payments of grants are delayed for four months after they fall due.

The building industry was far from happy last night however, having become optimistic after the Prime Minister met its "group of eight" lobbyists.

Mrs Thatcher's appeal last week to local authorities and nationalised industries to try to meet their full investment levels in the current financial year is not expected to lead to any greatly increased activity.

And the 1983-84 external financing limits, also announced yesterday, for nationalised industries did not indicate any significant increase in the orders the industries will be placing in the private sector with either the construction or manufacturing industries.

The CBI estimates that the total impact on business costs of the cuts in the surcharge from its original level of 3½ per cent at the beginning of this year to 1½ per cent next April should save 175,000 jobs within 2 to 2½ years, possibly also boosting GDP by 1½ per cent and cutting retail prices by 1 per cent over the same 2-2½ year period.

But there are few if any major companies prepared to say they can now make immediate changes to plans for redundancies or shutdowns.

ICI will save £3m in a full year, but is more interested in the impact the cuts will have on its customers' orders than on its own expenditure.

Once again, the Government is discriminating against the public sector by cutting cash and external financing limits to offset the benefits of reducing the surcharge. So the British Steel Corporation, for example, which might have gained some £5m a year, gets nothing.

The surcharge was introduced five years ago at a level of 2 per cent and was raised to 3½ per cent two years later. Industrialists have campaigned against it ever since and it has become the centrepiece of the CBI's claims for cuts in business costs.

The Chancellor, however, has only responded slowly. In this spring's Budget he announced a reduction from August from 3½ per cent to 2½ per cent. But he increased this cut of 1 percentage point temporarily to 1½ for rest of the current financial year so as to give a cut of a full percentage point throughout the year.

Yesterday he made this temporary extra ½ percentage point cut permanent and then added another ½ percentage point cut from January, subject to Parliament passing the necessary legislation.

So by next April he will have reduced the surcharge from 3½ per cent to 1½ per cent and private sector employers will, on a net basis, have paid the surcharge at a level of 2 per cent throughout 1982-83. The Government saves itself some £400m a year by not extending the benefits to public sector employers.

It is these novelties in the cutting of the surcharge, plus the discrimination against the public sector, which makes it easier for the CBI and other organisations to welcome the measures. (On such occasions the CBI turns a blind eye to the interests of its nationalised industry members).

Now the CBI is hoping for the final abolition of the surcharge in next spring's Budget.

Last week, at its annual conference it called for immediate abolition, plus a 15 per cent reduction in local rates paid by businesses, reductions in energy costs, reductions on interest rates, and greater public sector investment in profitable projects.

Yesterday's concessions were only a very small first step and the CBI reaction probably owes as much to the wish of senior industrialists not to rock the Conservative Party's boat in the run up to the next general election as it does to the feeling that the Government is really trying to turn the recessionary tide.

John Elliott

Nationalised industries' financing

Targets demanding, Howell admits

THE MAJOR changes in nationalised industry external financing limits arise from decreases in the likely requirements of British Telecom and British Airways, offset by increased requirements in the energy industries, said yesterday's Treasury statement.

The biggest single limit for 1983-84—£1.13bn—goes to the National Coal Board and compares with £962m in the current year. This level is expected to be broadly acceptable to the board. The limit of the electricity authorities in England and Wales goes from a net repayment to Government of £243m to £300m, while the South of Scotland Electricity Board's limit is increased from £211m to £284m. British Gas goes to a zero position from a net repayment of £83m in the current year.

Publication of the external financing limits is the culmination of an annual round of negotiations between the industries, the Treasury and other Government departments. The limits determine nationalised industries' inability to borrow and are therefore an important source of Government influence in the public sector.

Two of the limits announced yesterday — £200m for the British Steel Corporation and £150m for British Shipbuilders —are provisional. Both are dependent upon further decisions on the corporate plans for the two industries. The Government statement noted that the prospects for BSC in 1983-84 are "under review" — reflecting the recent serious worsening of the corporation's trading position which has given rise to renewed fears of plant closures.

The Government is increasing British Rail's financing limit and public service obligation ceiling for 1982-83 from £897m to £930m. This move, described by Mr David Howell, Transport Secretary, as being a means of helping the railways board meet the transitional cost of measures to reduce manpower numbers and eliminate spare capacity, will go some way towards accommodating the deterioration in finances resulting from the strikes this year.

Mr Howell said yesterday: "The reductions in manpower are expected to save over £60m in a full year, but the redundancy costs will fall in the present financial year, largely before the savings begin to flow."

The 1983/84 EFL has been set at £973m, representing a cut in real terms. Mr Howell said the level "reflects the benefits to which these (redundancy) schemes will give rise."

Mr Howell admitted that the 1983/84 external financing limit for British Rail—and the £69m set for the National Bus Company—were demanding targets. "Both British Rail and the National Bus Company will need to make further improvements in business performance to achieve them."

Mr Bob Reid, chief executive of BR (Railways), also used the term "tough" in describing the limit. "Once again we will strive to live within it, but it will mean under-investment in our future and will do nothing to prevent the continuing deterioration of much of British Rail's infrastructure."

Another industry which reacted with some disappointment to the announcement was British Telecom. Officials admit that the £120m limit, compared with £320m last year, is less than they were seeking and they intend to raise the issue with the Department of Industry.

Initial reaction in a number of nationalised industries was that the Government had not chosen to use the external financing limits to stimulate increased economic activity. Nationalised industries are expected to underspend on the £7bn total capital investment authorised by the Government for the current financial year by about £500m. This may have strengthened the argument within the Government that there is a reduced case for authorising extra spending in the following year.

The external financing limits announced yesterday will be subject to downward revision to take account of the proposed reduction in National Insurance Surcharge.

Alan Pike

Social security

Benefits clawback expected next year

A DELAYED action hullaballoo is the certain result of the economic statement's provision for social security benefits.

The Chancellor confirmed that the Government intends to stick to its commitment to change the value of most benefits in line with price inflation.

This might very well mean that in November 1983, old age pensioners and all other index-linked claimants will receive an increase of as little as 2 per cent, assuming price inflation in that year of about 5 per cent. The pensioners' lobby is hardly likely to take that lying down.

Unfortunately, that 9 per cent is now clearly too high—inflation is running at only 6 per cent — so there will have to be another clawback, presumably of the order of 3 per cent next November. Since the Government is using a figure of 5 per cent as its indexing assumption for 1982-83, that suggests a very lean increase indeed next year.

The basic cause of these unsettling swings is the administrative complexity of the largely uncomputerised benefits system, which requires 22 weeks to process a change in rates.

This situation arises because of the difficulty experienced by the Government in forecasting price inflation, to which benefits have been tied since 1980: Between 1975 and 1980 they were tied, more generously, to the rise in earnings or prices, whichever turned out to be the greater.

In 1980-81, the Government over-estimated inflation and had to claw back 1 per cent of the proposed benefits increase in November 1981.

This month, because of an underestimate of inflation in 1981-82, claimants are to receive a 2 per cent bonus on top of the 9 per cent they are due under the index-linked formula.

But the oscillations, in a year in which they penalise claimants, are certain to provoke strong reactions, especially since benefits for certain groups, notably the unemployed and families, were trimmed in the first year of the Thatcher Government as part of the general round of economies. These benefit cuts have been worth almost £2bn to the Government.

There was no word yesterday on the possible restoration of any of these cuts, although the Government remains under considerable pressure to make good a 5 per cent cut in unemployment benefit which was due to be restored when this benefit became taxable in July.

Working on the Government's assumptions, the statement says the clawback will be worth £180m to the Exchequer between November 1983 and March 1984.

In spite of this saving, social security continues to claim an increasing share of public expenditure. In 1983-84, it is forecast to account for £34.1bn or 28.4 per cent of the total, compared with £31.8bn or 27.7 per cent this year. A slight reduction in demographic pressures on social security is being offset by the cost of supporting an increasing number of unemployed.

Although pensioners will no doubt lead the charge in protesting about the latest clawback, the single person's pension of £29.60 (it goes up to £32.85 a week on November 22) was at the time of the last increase 93.5 per cent higher than in November 1976. In the same period, retail prices rose by 85.1 per cent.

Pensioners' pressure groups, however, point out that the Government's prices index for pensioner households has grown somewhat more rapidly than the ordinary RPI in that period and that almost half of Britain's pensioners are living below the poverty line.

Ian Hargreaves

Local government

More cash to meet overspending

THE AUTUMN STATEMENT reflects, for the second consecutive year, the extent to which extra money has to be allocated in mid-financial year to cope with the current account overspending by local councils. Last year's statement added in £1.3bn; yesterday's wrote in a further £1.060bn.

Some of the money is intended for specific new programmes although they are mentioned in only the vaguest of terms. It became clear yesterday afternoon that officials at the Environment Department had failed to complete any details in time for the Chancellor's statement.

Only £270m of the £1.06bn increase will be allocated to service programmes, not one of which is detailed. The rest goes towards accommodating the general level of overspending which was £1.75bn in 1981-1982 and is estimated at £1.5bn for 1982-83 by the Treasury (although the latest internal Environment Department calculations indicate it may be as low as £900m by the end of this financial year).

Without these extra amounts to take account of the persistent overspending of targets the Government's spending plans would, as the statement says, "become unrealistic."

The new total for local authority current expenditure in 1983-84 is £23.3bn, allowing for an increase in cash terms of 1.2 per cent over their budgets for this year. But this adding in of extra money as targets are missed, known as "hiccup money," means local authority current expenditure plans are some 11 per cent higher than those proposed as recently as the March 1981 White Paper.

The forthcoming rate support grant settlement will contain very stiff penalties for a few heavy overspenders, but generally looks relatively generous. This is particularly so as there has been no announcement that targets are being tightened because inflation is much lower than expected even three months ago.

There was no mention of this yesterday; nor has there been any talk of reducing the total of grant available for the same reason. So councils will be a lot better off than expected.

It is beginning to look as though the Chancellor and the Environment Department are setting the local authority current expenditure figures in such a way, with generous amounts of new money in the autumn, as to have a reasonable chance of getting local authority budgets within 1 or 2 per cent of target next year. This would enable the Government to claim to the electorate without referring to hiccup money, that it had brought council spending under control during its lifetime—an important claim in an election year for the Conservative Party which has great trouble with its supporters over rate levels.

The fact is that local authority current spending has probably remained static in real terms since 1979 although there are a number of ways of doing the calculation and the Government uses one showing a 1.5 per cent real cut.

Yesterday's statement referred to additional money for local authority capital projects in the most general of terms. An extra provision of £49m is included for housing and council house rents are assumed to rise by only an average 85p a week in 1983-84. The statement says that this, together with "a continuing high level of receipts from council house sales, will allow gross capital spending to be at least 10 per cent higher than the expected level this year."

In spite of an intensive campaign by ministers to urge increased capital spending there seems little chance of much response in the rest of this year.

Robin Pauley

Defence

Falklands pushes budget up £622m

THE Defence Ministry's £15.3bn budget for next year is to be increased by £622m. All of this rise is attributed to the continuing cost of the Falklands.

Yesterday's statement again emphasised that the need to pay for the Falklands campaign and the garrison there will not impair Britain's commitment to its Nato allies to maintain a real increase in defence spending (outside the Falklands) of 3 per cent a year.

For its part, the Ministry of Defence is delighted that the Treasury has agreed to pay the Falkland bills, thus leaving the "normal" MoD budget intact.

The extra costs to be met in 1983-84 are divided into three categories, MoD officials say. Much the smallest are residual costs of the campaign itself—continued replenishment of stores and ammunition, payment of widows *pensions and the like.*

By far the largest cost it appears, will be incurred on the garrison, currently some 4,000 men, and involving up to 20 ships and a major airlift from Ascension island.

This will take two-thirds of that year sum, or about £400m, although the precise figure and precisely how it will be spent, is still under consideration. Officials say it will include some capital costs, principally on further extension of the Stanley airfield.

(No decision has yet been taken on whether to build a new airfield. Unofficial estimates for this vary between £150m-£400m.)

Money is to be spent on replacement of equipment lost during the war. Last July Mr Nott, the Defence Secretary, announced orders for more than 20 helicopters and 14 Sea Harrier jump-jets. He is expected to announce more orders, including some warship *replacements, next month.*

With the publication of the new estimates yesterday, the overall cost of the Falklands campaign is becoming clearer, though the Government has not published detailed figures.

Mrs Thatcher said last month that the war and consequent costs up to the end of September but excluding the garrison, amounted to some £700m. Mr Peter Blaker, Minister of State at MoD, recently said that, also excluding garrison costs, the war was likely to cost some £900m over the next three years mainly in replacing equipment.

On the assumption that garrison costs will run at between £35m-£40m a month until March next year, the Falklands will have cost at least £1bn this year with the £622m newly budgeted for 1983-84.

This adds up to substantially higher defence budgets—some £15bn against a projected £14.1bn, this year with some £16bn next year against a projected £15.3bn. Officials say, however, that the actual expenditure total may be lower than £15bn this year because the normal defence budget has been somewhat underspent.

It is early to gauge the impact of yesterday's statement on defence industries. New orders as a result of the Falklands have been placed or are in the pipeline. But the MoD has not won its fight to get special treatment to meet rising costs.

The MoD has long argued that the defence sector suffers from higher inflation than other manufacturing sectors and that budget allocations should take account of this. The Treasury has so far refused to accept this contention, and while the battle will continue, the MoD is still likely to have to tell contractors to exercise tight control over their costs or face reduced orders in the next year or two.

Bridget Bloom

National insurance

Surcharge swings and roundabouts

NEW CONTRIBUTION RATES FOR EMPLOYED

Weekly earnings £	Employees 1983/84 £	Increase £	Employers 1983/84 £	NI Increase £
Not contracted out				
100	9.00	0.25	11.95	0.25
170	15.30	0.43	20.32	0.43
220	19.80	0.55	26.29	0.55
235 or more	21.15	1.90	28.08	2.42
Contracted out				
100	7.54	0.55	9.18	0.65
170	12.34	0.98	14.67	1.10
220	15.76	1.27	18.60	1.43
235 or more	16.79	2.30	19.77	2.68

AS ANTICIPATED, Sir Geoffrey Howe, made a compromise cut of 1 percentage point in the National Insurance surcharge, bringing the rate down to 1½ per cent for 1983-84. And he has compensated private sector employers by bringing ½ per cent of this cut into the current financial year by adjusting the surcharge for next January, February and March.

This will cut a further £350m off the surcharge bill for 1982-83 and around £700m for 1983-84. The Confederation of British Industry welcomes this move which has brought the surcharge down by nearly 60 per cent from its highest level of 3½ per cent.

But what the Government has given in one hand, it has taken away in the other. Mr Norman Fowler, Secretary for Social Services, announced higher National Insurance contribution rates as from next April, together with an increase in the earnings limit on which those rates are charged.

The upper earnings limit is reviewed every year to allow for the general rise in earnings. The new weekly earnings limit from next April rises from £220 to £235.

Contribution rates are being increased by ¼ per cent for both employers and employees, the third time in successive years that rates have been increased for employees. The payment from employees in to the NI *fund is lifted by 0.35 per cent,* but this is partially offset by a reduction of 0.1 per cent for the Employment Protection Allocation — the redundancy fund.

Thus employees not contracted out of the state earnings related scheme will be paying 9 per cent NI contributions up to the new upper earning limit from next April, while their employers will be paying 11.95 per cent.

As the table shows the biggest impact for these employees comes to those earning £235 a week or more, where their weekly contribution rises by £1.90. For employers not contracted-out the increase in contributions more than wipes out the surcharge decrease for the higher paid, but there is a saving for lower paid employees.

Employees and employers who are contracted out of the state earnings related scheme receive a double blow as far as NI contributions are concerned. This increase comes on top of an already announced reduction in the rebate for contracting out. The employees' rebate will go down from 2½ per cent to 2.15 per cent, making the contracted out contribution rate from next April 6.85 per cent, against 6.25 per cent. The employers' rebate is cut from 4½ per cent to 4.1 per cent making a contribution rate of 7.85 per cent against 7.7 per cent, despite the surcharge cuts.

The table shows that contracted out employers will pay more NI contributions next year for all their employees; the surcharge reduction has merely softened the double blow of higher contributions and a lower rebate. Employees earning £235 a week or more will be paying a further £2.30 a week.

The self-employed will also pay higher NI contributions from next April. The basic weekly flat rate Class 2 contribution is lifted 65p to £4.40. On top of this the Class 4 rate is increased by 0.3 per cent to 6.3 *per cent on annual earnings* between £3,800 and £12,000. The present earnings limits are from £3,450 to £11,000.

Eric Short

Job training

Two extra schemes could help 180,000

THE GOVERNMENT has allocated an extra £260m in gross expenditure for special employment measures—an indication of the gravity of the unemployment problem, especially among young people.

Almost all of that sum will be spent on two programmes—the Community Programme and the Job Splitting scheme. Taken together with the Youth Training Scheme—the largest measure, scheduled to start from next September at an annual cost of £1bn—and the Young Workers Scheme, paying a subsidy to employers who take on young workers for a wage less than £40 a week—*the measures broadly conform* to the Government's desired aims of creating a more flexible, better trained and (in some sectors) lower paid workforce.

The Community Programme began on October 1, and is scheduled to run for two years. It took over, and greatly expanded, the Community Enterprise Programme: that provided work for some 30,000 of the long-term unemployed, while the new programme hopes to place 130,000 in work.

The nature and provision of that work has been contentious. Trade unions have objected that the workers employed on the scheme will eb doing work which should be the preserve of those already employed, especially local authority workers. *And the* voluntary organisations, which are expected to provide a substantial number of the places on the Programme, have said they simply cannot cope, and that the weekly £60 average allowance to be paid (less training costs) is inadequate.

The Manpower Services Commission has managed, for the moment, to smooth over *most of these objections.* The TUC has backed the plan, and the voluntary groups have for the most decided to take part, albeit reluctantly.

The full cost of the Community Programme *is expected* to be £575m gross. But the net additional cost has been reckoned at around £185m after taking into account the saving in benefit.

The Job Splitting scheme was based originally on the practice followed by GEC, and is designed to open up part-time jobs for workers facing redundancy. It offers employers a £750 grant (raised from the initial proposals of £500) to offset extra costs incurred in splitting a job. Asuming a take-up of some 50,000, the cost has been put at between £50m and £60m.

The Chancellor believes that the extra £260m expenditure will be much less in practice. The statement calculates that savings—mainly arising from new estimates of take-up of the job release scheme, the temporary short time working compensation scheme and the young workers scheme—will reduce the gross cost by £150m, leaving a £110m addition to overall *public* expenditure in 1983/84.

John Lloyd

Energy costs

Electricity concession still in pipeline

THE Chancellor of the Exchequer's statement and subsequent answers to parliamentary questions yesterday gave industry little indication *of the* extent to which the Government will help ease its energy costs.

Positive news was given earlier in the day by the British Gas Corporation when it confirmed an *extension of the* freeze in contract prices for industrial and commercial customers until October next year. Nothing emerged yesterday about prospective rates for electricity.

Present contract rates for supplies of 25,000 therms of gas or more annually were set in March. The rate to industrial customers for guaranteed supplies will remain at about 30p per therm while users who agree to receive supplies on an interruptible basis will go on paying around 26p per therm.

The CBI welcomed the extension of the freeze—which was reported at the weekend—but a spokesman *complained of* UK industry suffering from high rates compared with Continental rivals and said talks with the Department of Energy would continue "in the hope of *substantially closing the gap in* the months ahead."

Gas is reckoned to provide roughly a third of the energy used by industry excluding fuel for transport. The CBI reckons the freeze gives a "saving" of about £70m—a calculation based on the gloomy assumption that charges might rise by 10 per cent.

Agreement on a standstill was evidently reached between BGC and the Government without *friction. The corporation* is confident of reaching its three-year financial target of a 3½ per cent return on current cost assets over a period ending next March. In 1982-83 sales to *industrial customers were worth* £1.23bn out of total turnover of £5.23bn.

The freeze on industrial customers will extend into the middle of 1983-84, an overlap into the next financial year which BGC feels that it will be able to live with. The corporation's greatest concern is new financial guidelines which will be set for it from next April and Government policy on the tariffs paid by domestic and smaller industrial and commercial users.

The word in Whitehall, meanwhile, is that the Government will make known its intentions about the bulk supply tariff for electricity in the near future.

Richard Johns

Education

Hollow gain for many families

THE MAIN educational beneficiaries of the Government's financial plans will, on the face of it, be about 20,000 families who in autumn 1983 will cease *to* be expected to contribute to the maintenance of their children on courses for degrees and the equivalent.

These families' student offspring will receive full maintenance *grants because Ministers* are returning to index-linking the amount of residual income (after deductions for mortgage payments and so on) parents are allowed before being required to contribute.

The residual income threshhold will be raised by 8 per cent from the present £6,600 to about £7,128.

But the gain will be hollow in many cases. For of the 20,000 families to be freed from contributing by restoration of the index link next year, a lot were among the 20,000 who were saddled with contributing by the abolition of the link last year.

Degree-students themselves will be disappointed if not infuriated. Two days before the National Union of Students officially presents its claim for a 12.4 per cent *rise in the main* rate of grant, the Government has declared that the increase will be only 4 per cent.

The official total of £12.55bn for state education and science *is an underestimate. It covers* only expenditure by local education authorities in England and universities and science research in Scotland and Wales as well.

With the addition of schools and further education colleges in Wales and Scotland and Northern Ireland's spending, the full total in 1983-84 will be well over £13bn.

Notionally, by comparison with last year's plan, the local education authorities' allocation is up by 0.6 per cent to £9.43bn. The rest, relating mainly to universities and science research, is up by 0.1 per cent to £3.1bn.

But since last year's plan over-allowed for inflation, there will be more money for all parties especially if they keep pay rises to the Government's *desired 3.5 per cent.*

As well as an extra £40m over the next two years to cover unavoidable increases in costs and a previously announced £50m in 1983-84 to finance early *retirements*—being *taken up* disproportionately by academic engineers and technologists—universities will share £10m to boost recruitment of young dons especially in science and to expand teaching of *information technology.*

There is an extra £2m benefit scheduled for polytechnics whose total budget will be *£0.56bn, and £2m* for technical colleges. The science budget will have an extra £4m for the British Antarctic Survey but will otherwise stay steady at £0.51bn.

Michael Dixon

Why some world airlines may perish

By Michael Donne, Aerospace Correspondent

THE WORLD'S airlines are passing through their worst economic crisis ever, and it is doubtful whether some of them will survive the coming winter, traditionally a *time of low* traffic when profits earned in the previous summer are whittled away.

While some airlines are still making profits (such as Lufthansa and Singapore Airlines), *most are losing money.* The recently announced deficit of £545m for British Airways for 1981-82, although swollen by some special factors such as heavy *redundancy payments* and a substantial writing down of aircraft and property assets, was only one symptom of the industry's malaise.

The message emerging at this year's annual meeting of the International Air Transport Association (IATA) which opened in Geneva yesterday, is that the airlines must perform some painful surgery if they are to be in a position to benefit from an eventual economic upturn.

Mr Knut Hammarskjold, director-general of the 120-member association, says in his *annual report on the state of* the industry, that there can be "no dramatic upswing in airline performance until recession ends," and it would "appear imprudent and unrealistic to assume traffic growth as a factor of significance in the foreseeable future."

Mr Hammarskjold's warning is accompanied by some grim figures. He says that the 120 members of IATA are expected to incur collective net losses after interest of $1.87bn in 1982 on international scheduled services, bringing their *total losses since 1979 to* $5.73bn.

Nor is the outlook any better. The IATA forecasts another net loss of $2.1bn in 1983, and a *smaller but still substantial* loss of $1.4bn for 1984. If those forecasts prove correct the cumulative losses from 1979 to 1984 will have amounted to over *$9.23bn.*

As with many other industries, a substantial element in those losses is heavy interest payments—$1.61bn this year *alone, rising to $1.73bn next year, and to $1.84bn in 1984.* The losses on direct operating account—that is, on the actual business of flying aeroplanes—are much lower, amounting to $260m this year and $370m next.

But, *by 1984, as a result of* the retrenchment measures now being undertaken by many airlines (particularly severely at British Airways and Pan *American)* IATA believes there could be a profit on operating account of $440m, although *still* leaving an overall loss of $1.14bn after the interest burden.

IATA believes that, to cover interest, and leave a *margin* for other purposes, such as replacing aircraft fleets, the air*lines need to make a direct* operating profit of over $2bn a year through the 1980s—almost a hopeless task, it would seem, in the current economic *climate.*

Many of the airline industry's current financial troubles can be attributed to the economic recession, which has resulted *in zero growth in many mar*kets, and declines in others, but there are other factors involved, some of them of the airlines' own making.

Throughout the world, what many in the industry regard as insane fares cutting still goes on. This is especially true in the U.S., where following gov*ernmental deregulation* (the effective abandonment of controls over pricing) fares wars are being conducted with little apparent regard to the long-term effects on balance sheets. One airline, Braniff, has already been bankrupted, many others are incurring heavy losses, and some may go out of business this winter.

In other parts of the world, where governments still often have control over pricing policies, even officially approved fares are consistently breached by "discounting"—the sale of tickets at substantially cheaper rates (up to 70 per cent in some cases). On some routes, especially through the Middle East and in parts of South-East Asia and in South America, some 40-50 per cent of total ticket sales are on a discounted basis.

Discounting stems from an almost desperate desire by the airlines to fill their aircraft. Overcapacity means there are too many seats chasing too few passengers. On the North Atlantic alone in the first seven *months of this year, there were* 15.15m seats and 10.46m passengers, the 4.7m surplus seats were equivalent to 32 Jumbo jets flying empty on the route *every day. Yet few are* prepared to cut the number of seats offered for fear of losing traffic to competitors on the route.

But if overcapacity, discounting and fares wars are among the *industry's self-inflicted* wounds, there are others, often outside the airlines' control. These include, for example, the blocked, or delayed, transfer of an estimated $600m a year earned by the airlines in other countries, mostly in Africa, which they cannot bring home because of local governmental regulations, policies and procedures, especially relating to transfers of foreign exchange. *Some airlines have restricted or* even abandoned services to some parts of Africa, because they cannot repatriate even a proportion of their legal earnings in those countries.

Another problem, the airlines say, is the way governments lay down air routes. In many parts of the world, many hundreds, even in some cases thousands, of miles of extra flying are undertaken because large tracts of air space are closed to commercial aviation for either military or political reasons. IATA estimates that this costs *several hundred million dollars* of money wasted a year through unnecessary flying along complex route patterns.

The airlines also complain *about the rising cost of "user* charges"—the sums charged for *en route* navigation facilities, landing fees and aircraft parking at airports. There is little *sympathy among governments* for the airlines in this matter: most authorities argue that the users of air transport should be prepared to pay for the facilities they use, rather than load them on to the taxpayers at large. The airlines in turn argue *that everyone benefits from the* way in which air transport, stimulates economic growth, and so everyone should help to pay for it. This debate has flourished for years, with no sign of any conclusion being reached.

Efforts to bring about a measure of *liberalisation* in air transport affairs, especially in Western Europe, are often frustrated by governments wishing to protect their national *airlines. Many Continental* governments for example, have for long resisted efforts by the UK to get fares down on short-haul European routes, and have even resisted the inclusion of additional UK airlines on major *air routes, fearful of the impact* on their own flag carriers. Even the UK government takes a tough stand in bilateral air negotiations with foreign governments, *concerned lest* the long-term interests of UK airlines might be damaged.

Although the EEC is seeking to achieve more competition in European air transport, by bringing the airlines under the *Treaty of Rome, and thus sub*ject to the Community's rules on competition, this is being fiercely resisted by the individual governments in the Ten, *and almost no progress is being* made.

Many airlines argue that until this kind of government control is relaxed, that many of the *industry's own efforts to stimu*late passenger growth will be stifled.

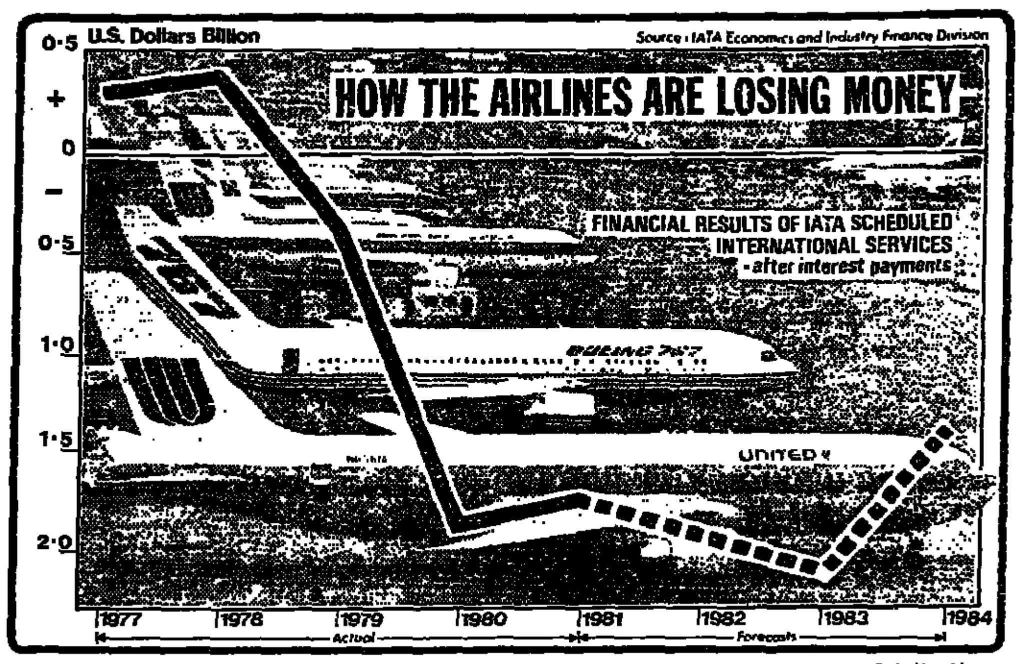
That said, many *IATA* members wanting greater freedom *from* government controls also want to retain the old fares-fixing methods of the association, because this protects them from the kind of competition that has followed deregulation in the U.S.

The main message to air*lines at this year's IATA annual* meeting is to do something to help themselves, be it on the British Airways and Pan American pattern, with heavy redundancies, route cuts, and aircraft and property sales, or less severe action.

In addition to such individual efforts, the industry is also moving on a collective basis. Through a rolling strategic plan conceived by IATA, and *continually updated, many* of the major problem areas are being tackled one at a time with all the weight the airlines can bring to bear on governments. *In the fares discount*ing field, for example, the IATA has set up a "Fare Deal Monitoring Group," with hopes of substantially reducing, if not stamping out, this practice within the next few years.

The industry is starting to recognise that *it cannot really* look to an early world economic recovery to solve its problems. Many of these have been developing for years — over*capacity, fares discounting, cir*cuitous air routes, excessive user charges — but their effects were masked by the generally high level of air travel expansion through the 1970s. Once that expansion petered out, the problems were revealed in starker clarity, and airline managements that for 35 years had been accustomed to coping only with the problems of growth, were forced to cope with the unexpected problems of stagnation and decline.

Moreover, apart from the new generation of jets now coming forward, with their improved *fuel efficiencies* over those already in service, there are no dramatic new technological breakthroughs round the corner, comparable to the coming of the jets in the mid to late 1950s, to cut costs dramatically and boost productivity, and thus help the *industry out of its* troubles.



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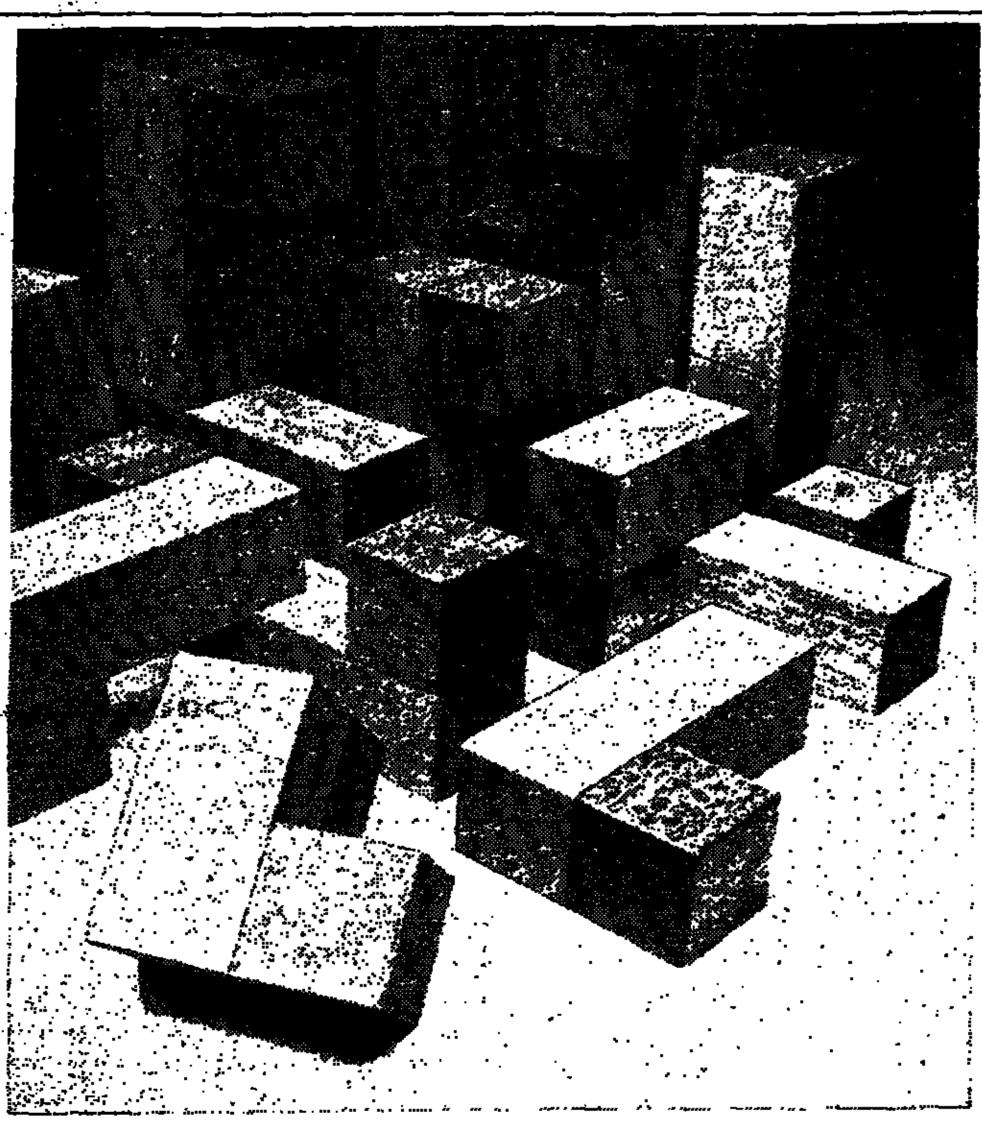
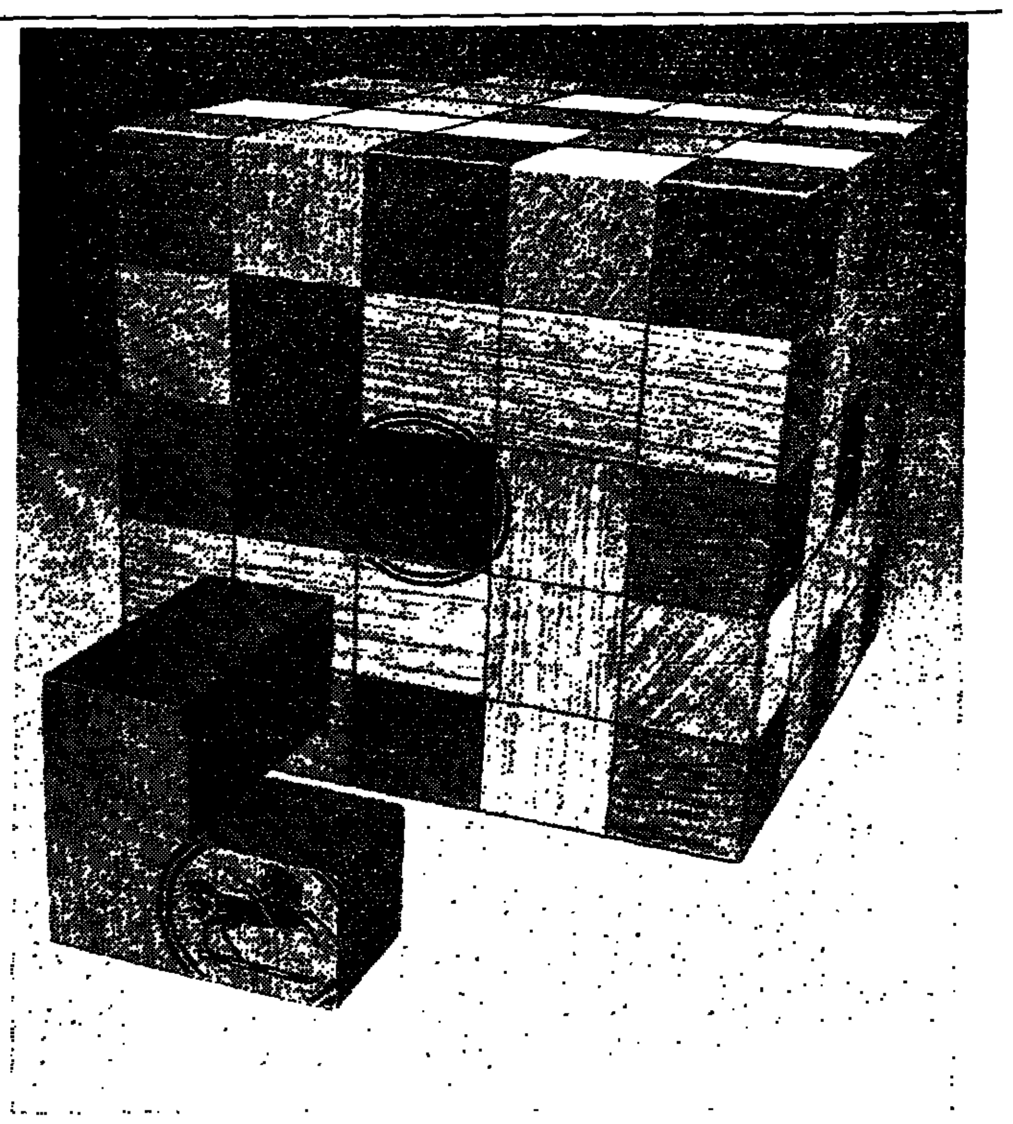




TECHNOLOGY

EDITED BY ALAN CANE

FILM AND VIDEO

New stimulus for a cost conscious industry

BY JOHN CHITTOCK

THE GENESIS of this column (some 20 years ago) was the sponsored film—the only motion picture medium then available with which business could reach its audience direct, without the control of a third party. Thus substantial film activities were run by companies such as Unilever, ICI, Ford, Shell, Barclays Bank—all aimed at reaching 16mm audiences in clubs, schools and community groups. The films were supplied free of charge— even at times the projector and operator.

The total potential audience was never large, and always difficult to reach, which was one reason for a decline in the sponsored film— the other was the tendency for films to become too self-interested with diminishing regard for what the audience needed.

Video has changed that situation, although the renaissance in sponsorship for general audiences is only just occurring—and often in very different, novel ways. Since the potential audience which has access to the necessary "projection" (replay) equipment is already well over 10 times that available to 16mm films, the attractions of video are obvious. The audience is also becoming conditioned by this new medium into paying for its programmes, which gives a *new stimulus to cost-conscious* industry.

The kind of sponsored video programme of which I am sure we shall see much more in the future is well exemplified by the Automobile Association's first venture into video—a 42 minute programme titled *Car Maintenance at Home*. In this case, the AA have provided the subject expertise and some of the distribution outlets (viz. AA Service Centres). The sponsor is the Ford Motor Company.

Because this video programme is on a subject of great concern to a large public, it is being sold—but at the subsidised price of £13.95 (more than half *the commercial rate*). And, of course, Ford will be selling copies too through their dealers.

The same idea has justified a 50 minute video programme about this year's Farnborough air show—in this case sponsored by Plessey Aerospace and *Flight International*. For anyone in the aerospace business, it seems inevitable that they should want a copy—even though the treatment of the subject in this first programme is rather generalised. At a price *of £33.50 (for consumer formats)* the element of subsidy is much less—but I predict that experience with such exercises will encourage lower prices in the future unless they are specifically tailored for business viewers.

Such projects begin where the sponsored film left off. But totally new ideas are now emerging—such as a made-for-video feature film from Linked Ring, a new production company with a difference. The film, *Tangier*, is billed as "an exciting new spy thriller" and it will sell at a reasonably average price of £34.95. But every customer buying a copy will also get a £50 holiday voucher which can be used in bookings made through a wide range of leading tour operators. As a further incentive to sales, retailers purchasing a twin pack of the film will receive a £60 holiday voucher, or £120 for a triple pack.

The idea doesn't even stop there. Very subtle elements of product sponsorship creep into the film. And early reactions suggest that employees at W H Smith *may be taking* a lot of subsidised holidays in 1983—they have ordered 3,850 copies so far.

Even more novel is a programme from Catalyst Video Publishing which is due to be released next week. Called *Movie Video Magazine*, this 60 minute programme appears to be no more than a collection of cinema clips linked together by film critic/presenter David Castell. Although much more fragmented than a conventional TV programme about the cinema, it packs in extracts from 31 films—nearly all of which are of great interest or quality (eg *On Golden Pond, Fitzcarraldo*). The price to dealers will be a very low £12.95, enabling them to be sold for somewhere between £16.95 to £19.95, or rented for 75p per night.

The point about *Movie* is that all of the film extracts are titles available on video. The programme contains paid-for advertisements from video distributors, and the "editorial" items have been supplied to Catalyst free of charge. It seems like a formula whereby everyone wins.

Catalyst intend to release further "editions" of *Movie* and also extend the idea into other subject areas. One of the first is certain to be pop music, since a wealth of promotional videotapes already exist from which clips can be taken.

The most visionary idea, in every respect, I leave till last—Mothercare's experiment in using video discs for point-of-sale promotion. A six-month trial has been running at four Mothercare stores, using a Pioneer optical video disc player in a special display unit. Built into this is the remote control keypad with which any part of the disc programme can be *accessed almost instantly*.

Passing customers see on the TV screen a recycled display of captions, and on the cabinet a pictorial guide to products which can be "called up" on the video programme. The customer simply presses the appropriate number on the keypad, and a short movie about the chosen product range is automatically displayed.

Because the optical video disc *cannot wear out, it is ideal for* this kind of application. The dual sound track is also utilised to provide a separate commentary for staff training purposes.

Mothercare has carefully monitored *sales results against* four similar stores, twinned for the purpose. Overall, sales at the stores equipped with video were 20.1 per cent up against the others. After writing off the capital cost of the hardware, *Mothercare expects a 60 per* cent return on the investment in year one. Encouraged by this, a further 74 branches are now to be similarly equipped.

Such ideas—to use the appropriate metaphor—are still at the crawling stage. Video has an untapped potential, and commercially the next 10 years will be as interesting as the last 10 have been technically.

DATA IN THE DEEP SEA FISHING REELS

First of all catch your computer

BY ROY GARNER IN TOKYO

IF Isaac Walton were to go for *a day's sea fishing in Japan* these days, the chances are that the esteemed English master of rod and line would first need to undergo a crash course in data processing to make his day "compleat."

For a growing number of Japanese sea anglers are choosing to leave things rather less to chance by equipping themselves with computerised fishing reels.

But they are not dispensing with conventional equipment simply to stay in line with current "high-tech" fashions. Computerised fishing reels have arrived as another outcome of Japan's problems of overcrowding.

Shallow waters close to population centres are becoming so badly overfished by flotillas of sportsmen that anglers are being forced to move to waters *as deep as 500 metres or more* to ensure results.

This determination to actually catch fish, rathr than to take satisfaction in the sport merely as a form of amusement, is also partly due to the Japanese penchant for eating fish, especially if it is in fresh and raw codition. The deeper one fishes the more unusual, and normally more expensive, are the fish one can catch.

Fishing on the seabed at such great depths provides obvious problems. By the time one's tackle has been lowered to the bottom and then wound up again for rebaiting a couple of times, shoulder cramps start to set in and one's boat charter time tends rapidly to draw to an end.

The Miyamae Company of Osaka, a leading Japanese fishing tackle maker, has come up with an answer in the form *of its Miya Epoch* range of reels, the first to be fitted with computer control.

The top of the line model, the

Mr Kawasoe Hisashi, Tokyo manager of Miyamai with the Miya Epoch 1000 computerised fishing reel

Miya Epoch 1000, is priced at about £370 and comes equipped with an 8-bit micro-computer, a mile of 55 lb breaking strain line (or 1,300 yards of 80 lb line) and a motor with a winding speed of 330 rpm and a maximum winding power of 123 lb.

When fighting a large fish the reel can handle up to 210 lb of drag before the computer flashes an overload warning and automatically stops the motor.

As might be expected this fishing device is not lightweight, weighing almost 5 kgs. butn when in use, rod and reel are normally mounted on a boatside support clamp. Power is provided by cable from a 12 volt DC power source.

The angler merely has to choose the best settings from an array of 10 control buttons and keep an eye on the digital counter which lets him know precisely where his bait is stationed.

Anglers with a real taste for the easy life can even retreat to the boat's cabin and conduct operations with a remote control unit. Hisashi Kawasoe, Tokyo manager of Miyamae, hastens to point out that computerised reels do not remove the skill from angling, or at least not quite.

In his view, controlling the subtleties of the computer reels operating techniques, together with the choosing of bait and fishing location, provides plenty of sporting opportunities.

The Miya Epoch 1000 can be programmed to automatically alter the depth setting of the bait at chosen time intervals and can also "pump" the line repeatedly to attract fish. The reel will pause automatically to compensate for the effects of tidal movements. Once a fish is caught the reel will automatically wind it up to a precise number of metres from one's rod tip so that it can be gaffed and hauled aboard.

Kawasoe says that a hand reel is normally quicker in operation up to depths of 200 metres, but beyond that the computerised *model comes into its own in* terms of saved effort.

Miyamae was also the first company to introduce electric reels 10 years ago and still claims to hold between 80 to 90 per cent of the market for non-manual reels.

There are three models in the Miya Epoch computer-equipped range. The most successful of these is the £155 ME 500, 10,000 units of which have been sold since its launch last April. The £235 ME 800 has annual sales of about 10,000, but sales figures are not yet available for the ME 1000.

Terminals

Earth stations

THERE WILL be no massive increase in the sales of home satellite earth terminals according to market analysts Venture *Development Corporation*, in a $2,790 report, "Home Earth Stations."

The Massachusetts researchers believe that U.S. sales will not exceed 36,000 during 1987, having grown at *only 12 per cent per annum*.

VDC thinks that increase consumer awareness of satellite TV programming will be countered by growth in the output of cable TV.

Although terminal prices *have dropped over the past* three years, VDC does not anticipate that this trend will continue very far into the 80s. *Some components, like aerials,* will probably become more expensive.

However, people living in rural areas will *not* immediately, and may never be *provided with cable service,* so that may be where the *bulk* of terminal sales will end up. VDC is in Wellesley, Massachusetts 02181 and is on (617) 237 5080.

Marine

Radio-phone

WALKERS Marine Instruments of Birmingham has launched the Walker 6310 VHF radio telephone for small commercial craft and yachts. It goes on display for the first time at the International Boat Show in January.

More on 021 643 5474.

Possible use for crossed laser beams—GEOFFREY CHARLISH reports

Focusing on three dimensional patterns

A FEASIBILITY study is underway at Battelle's Columbus Laboratories to determine whether crossed laser beams, focused to a point within a clear plastics material, can be used to "photochemically machine" complex three dimensioned patterns.

In this way it would become possible to design say, a complex mould or die using on-screen computer aided design techniques and then use the data to drive the beam intersection point.

At the intersection point the laser will induce a photochemical reaction that will work like a flexible machine tool. The reaction will either cross-link (make hard and insoluble) the plastic or degrade the material until it becomes soft and easily dissolved.

According to Battelle's Dr. Robert Schwerzel, who heads the study team, if the project proves successful dramatic savings in time, labour, and cost could result in the manufacture of prototype castings. The time to arrive at a prototype casting might drop from months to minutes.

The idea also holds promise for scaling up and down the size of castings and for fabricating precise shapes that are at the moment difficult and time consuming to produce. These include complex curvatures, internal holes and pre-threaded holes. Furthermore, by eliminating the need for subsequent machining steps such as drilling or polishing, more savings should result.

During the study the team will look at both materials and machines. The photochemical materials must respond to selected wavelengths of light and will have to undergo the desired photochemical reactions under specified conditions in order to produce a hard, finished object.

Even trickier, the *material* must *only* allow the reactions to occur at the intersection of two beams—it must not be triggered by either beam acting alone. Battelle has a London office on 01-493 0184.

THE ARTS

Richard Wilson/Tate Gallery

'One of the great men . . .'

David Piper reviews a major exhibition of the work of Richard Wilson, the 18th century artist whose reputation deserves to be re-established.

Of which painter did Constable observe: 'One of the great appointments to shew to the world the hidden stores and beauties of Nature. One of the great men who shew to the world what exists in Nature but which was not known till his time'? An elementary question no doubt for art historians, but how many non-specialists would answer without hesitation—Richard Wilson.

Wilson's renown seems to have dwindled somewhat recently, perhaps in relation to the revaluation of previously undervalued contemporaries like Stubbs and Wright of Derby. The exhibition now at the Tate Gallery (until January 2, moving thereafter to Cardiff and New Haven) must be easily the largest one man show he has ever received. A slightly older contemporary of Gainsborough, he died, sapped by alcohol according to report, in 1782. He had come from his native Wales to London and trained as a portrait painter from 1729.

His portraits were much in the conventional manner of society painters such as Hudson, but with a sober sensitivity to lighting yet also refreshing bluffness in characterisation (they are perhaps a bit under-represented at the Tate). He was also toying with landscape, the best known survivors being the two honest little roundels from the Foundling Hospital, though that of St George's Hospital is perhaps chiefly astonishing now as evidence of how entirely London yielded then to full rural countryside where now is the traffic maelstrom of Hyde Park Corner.

It was still as portraitist that he set out for Italy, but here, persuaded perhaps in part by Zuccarelli, in part by Vernet, he turned to landscape. The drawings in the show, some of them ravishing in quality, show him testing different modes not only in landscape; echoing Piazzetta, hinting at Piranesi or Canaletto; doing a Vernet or verging on the rococo frivolities of Zuccarelli; in one drawing of the "Ponte Alpino built by Hannibal" he seems contrariwise positively Chinese. But the master whose inspiration shines in the end is always Claude Lorrain.

Gaspar Poussin, Marco Ricci and Vernet (whom he knew in Rome) certainly influenced him, but in his finest work it is Claude who is acknowledged. He used the Claudian formulae straightforwardly a great deal: the trees in the shadowy foreground flanking the recession into radiant distance; the ruins or temples; the stage characters suggesting a classical story-content (but these also, and often more effectively than in the case of Claude's elongated figures, establishing the scale); the devotedly subtle evocation of aerial space and atmosphere.

When he returned to England he brought with him a repertoire of Claudian and Italianate motifs, and even Claudian weather, which he continued to use right through his career. This repetition has somewhat cluttered his reputation, though the pedestrian homage of his many (over 50) pupils, followers and imitators, not to mention forgers, have done him far more harm.

It is the virtue of this exhibition to have chosen throughout work of prime equality, and for me that reveals Wilson at his finest when his development of Claude's idiom for Wilson's own national purposes is most marked. This is when he is working to a commission from a landowner, to paint, not a straightforward full-frontal portrait of his country mansion, but a depiction of a given landscape—usually a park-like one modulated by man, often specifically by Capability Brown, the trees still a little sparse and immature in their youth. Part of which, sometimes a little more than glimpsed, is the pale and seemingly presence of a Georgian facade.

It would have been fascinating if, in perhaps two or three sensitive places, the exhibition had been able to include first-rate examples of Claude's landscapes, so that one could the more closely analyse the particular quality that is specifically Wilson and quite distinct from Claude. At times it seems to spring almost blatantly from the Englishness—Welshness, rather—of his subject matter, the profiles and concavities of the Welsh mountains, of Cader and Snowdon, or the rich verdure of the valleys. At other times, the subject, though English, could be Claudian.

The Tate's own Hounslow Heath—a little water, a plain receding into bluish distance—but Claude would never have made the focal point, central, that everyday clump of trees, the atmosphere, that sky, slightly hazy, a little pinkish perhaps rather than Claude's golden glow and with cloud melting into the blue—they are quintessentially of English high summer.

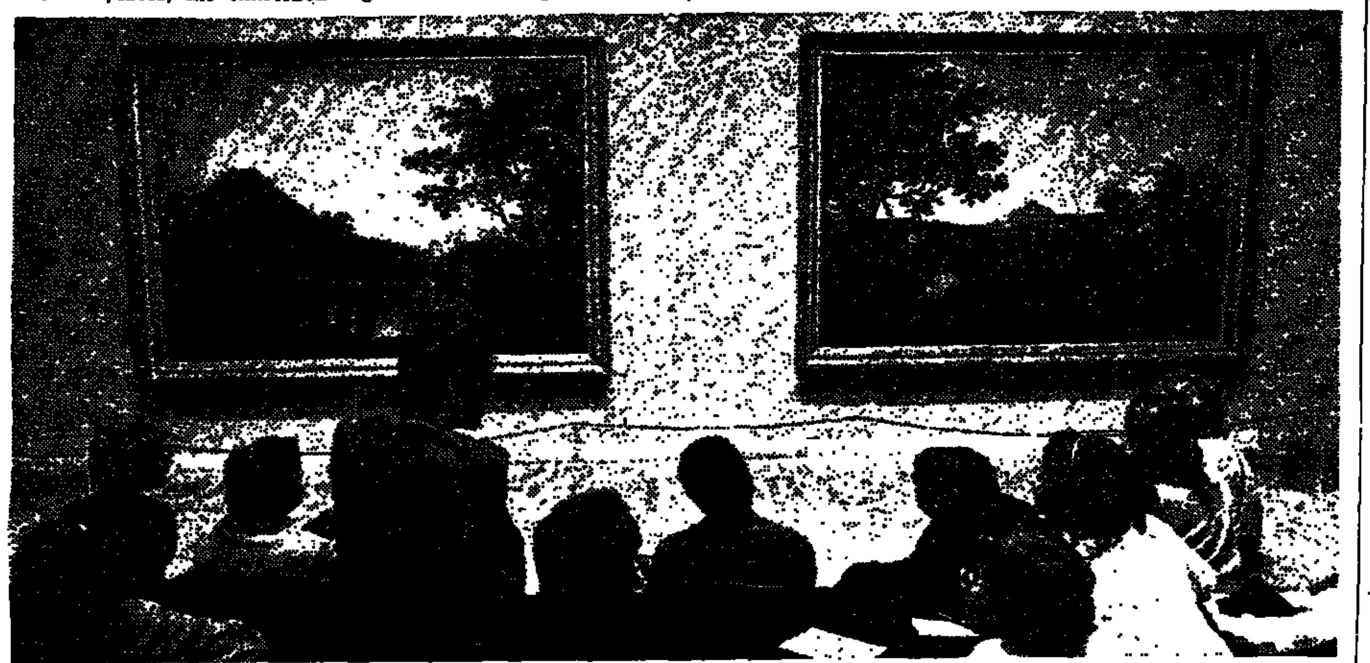
Most magical of all, inexplicable in its simplicity, is the view of Tabley House, Cheshire, in its grounds. A large, almost empty, expanse of parkland; the house discreetly away to the left. The lake or river occupying the foreground; a few essential trees the great sky over and again in the lake; a couple of figures, one fishing. Never a goddess; perhaps a picnic rather. This is where we came in, for this seems to be the very painting that once roused Constable to wonder and then to remember: "Nothing so much as a solemn—bright—warm—fresh landscape. . . which still swims in my brain like a delicious dream."

Among Wilson's Italian subjects, that great tourist attraction Tivoli features inevitably, usually with an artist shown in the foreground busy making a drawing or painting of it. The famous waterfall at Terni is said to have provoked Wilson to his most memorable verbal utterance. Deeply moved at first sight, "Well done, water, by God!" he said. Yet the painting shown here that responds most obviously to that exclamation turns out somewhat unexpectedly to be of the Falls at Niagara, lent by the Wolverhampton Art Gallery. Wilson never crossed the Atlantic, but was working "from a Drawing taken on the Spot by Lt Pierie of the R Artillery 1768." As the catalogue observes: "looks like anything but a typical Wilson"—but be that as it may, the painting of that famous horse-shoe cataclysmic spill of water has an exultant grandeur that makes one wonder what more he might have done if he had not succumbed to the more traditional sun-basking tonalities of Italy.

It is interesting to turn from this version of the tremendous forces of nature to the separate little exhibition that the Tate is running concurrently, devoted to the illumination of that later huge masterpiece of British romantic painting of a British subject, by James Ward: Gosdale Scar: An Essay in the Sublime.

It was, however, in Wilson's time, the Italian subjects of course—apart from the commissions to paint owners' houses in their settings—that were the staple fare in his work that appealed to the Grand Tourists and no less, perhaps even more, to those cultivated souls who would have liked to make the grand tour but had been unable to do so.

And the heroic, academic aspirations of establishing a British school of epic or history painting also tempted Wilson, but the very big compositions seem to me generally not the most successful—on the contrary, apart from a few country park pieces like the marvellous Tabley Hall, the most seductive pieces are the small studies, in which a fresh and direct observation is recorded in paint at once swift and succulent. Thus a little sketch of a ruined arch topped by a no less ruined cottage, with the day's washing dripping from it in a white, rich run from a full brush, is sheer felicity.



Ashkenazy/Festival Hall

Dominic Gill

If Vladimir Ashkenazy wielded the conductor's baton with the same eclat with which he used to play the piano 20 years ago, we would feel very differently about his conducting career. The plain fact is that he has never conducted as well as he has played: and furthermore the dual role seems to have affected his keyboard gifts. On the rostrum he is a well-meaning but uninspiring presence; and—much sadder loss—his piano playing these days has little of the richness and sparkle it used to have.

His nicely contrasted programme with the English Chamber Orchestra on Sunday night began with Wagner's Siegfried Idyll and ended with Chaikovsky's Serenade in C op.48. Between whiles he gave us Beethoven's second piano concerto — an efficient, lack-lustre account which had neither remarkable energy nor remarkable insight to commend it; and Berg's string-orchestral arrangement of the three movements from his Lyric Suite — more cogently shaped than the Beethoven, but without any kind of finesse of phrasing or voice-leading, and blurred at the edges.

Ashkenazy passed up the opportunity to give the Siegfried Idyll in its authentic version for 13 instruments, opting instead for something between that and a full-orchestral version, uneasy compromise of around 30 players. But far more important, the direction itself was dull and foursquare, unsubtle in its colouring, top-heavy in its balance, without buoyancy or radiance. No orange wallpaper at sunrise here—just hospital pink, before dawn.

Philharmonia/Festival Hall

Richard Joseph

Elgar's explanation of his Violin Concerto—"too emotional but I love it"—might well have inspired Kyung Wha Chung's characteristically intense, deeply felt interpretation. On Sunday afternoon she persuaded the Philharmonia and Riccardo Muti to share her view of the music so completely that the usual distinctions of solo and accompaniment hardly applied. Chamber-musical exchanges between a single violin and the members of each string section marvellously sustained this expansive, rhapsodic concerto.

In the slow movement the orchestra was especially successful in catching Chung's way of starting notes very softly, gently easing into and out of long phrases. One might complain that the rhythmic backbone of the music suffered, but the sense of continuity was memorable. Some of the delicate shadings of tone she attempted resulted in slightly shaky bowing—it was only in the assertive last movement that one felt her to be completely secure in technical matters—but such was the integrity of her musical thought and emotional response that the interpretation must be counted one of the finest this concerto has received.

After establishing open, luminous textures and subtle phrases to match Chung's Elgar playing, Muti toughened the Philharmonia's sound and sharpened its attack for a performance of Shostakovich's Fifth Symphony that seemed faithful to the requirements of the score. This "creative reply of a Soviet artist to just criticism" sounds increasingly meretricious and bombastic on each hearing. The Philharmonia's playing was both accurate and awfully loud. Stravinsky's frequent judgment on third-rate music—"Who needs it?"—sprang irresistibly to mind.

The Roches/Dominion, London

Antony Thorncroft

The Roches paid the price of success at the Dominion on Sunday night. This trio of sisters from the States have become so deservedly popular that the folk-club-above-the-pub circuit cannot cope with their audience: hence the Dominion, a vast stage, sound boxes which chopped off their legs, and a distance from the packed crowd.

Even so their songs, stream of consciousness vignettes of contemporary America, and their performance, even quirkier than ever, managed to jump the barrier and produce a most enjoyable concert. I would not want to see the Roches every night but once a year they are a half forgotten delight.

Suzzy, Terre and Maggie line up with their guitars and contrasting personalities, Suzzy the most striking in boxer shorts and garter, but united in the rare ability to keep the introductions to the short and witty varied. The girls sing well, play guitar (and piano) well, and have some of the most intriguing material going—even President Reagan has heard them play, to consider adapting "Want not want not" into a campaign song.

Not all their latest material is their own. They do a committed version of "The Hallelujah Chorus"—"written for an old boy friend of mine"; and "On the road to Fairfax County" is an arresting modern folk ballad. But they maintain their ability to produce off beat looks at life. "The Troubles," written when they nearly toured the clothing stores of Ireland, has now built up into a powerful round, and the early songs, "Mr Sellack," about applying for the job back as a waitress when fame was slow in coming, and "The train," about the loneliness of commuting, come out as fresh as daisies.

The Roches may be too tricksie; so sharp they could cut themselves; but they somehow manage to mix a sophisticated performance with naive material, the trendy with good common sense. It would be hard not to be charmed and impressed by them.

Tim Miller/ICA

Rosalind Carne

This young American arrives at the Dance Umbrella festival with Postwar, an autobiographical comment on the New World in the nuclear age. He directs and choreographs himself, and my first thought, as a theatre critic, is how effectively the dancer lends his body to the discipline of performance art. Actors so often appear to be chafing at the restrictions placed on their expressive talent.

Mr Miller tells his own story, how his father returned from the war in 1945, how he married, bought a house, had four children and built a wishing well at the bottom of the garden. He plays alter ego, watching and commenting as fellow performer Barry Davidson enacts the hapless infant, dragged unwillingly into an incomprehensible world of neat back yards, hamburgers, and the cold war. Their movements splendidly controlled are those of a desperate quest for humanity, spasmodic, rapid, suddenly stilled as new images loom on the back projection, washing powders or cereals with names like "Tricks," "Kicks" or "Life," commodity fetishism gone berserk.

Music from Big Game is electric and relentless, like the prelude to a rock and roll holocaust, entirely fitting for a scenario which takes us to the possible destruction of civilisation. The back projection screens become windows, looking out over a skyscraper horizon, and we hear the siren as bodies collapse and a single figure is left alone with his dream. He treads gingerly along a stepping-stone path of books, encyclopedias packed with useless knowledge, repeating the pavement games of childhood. As he walks he drops a trail of lightbulbs. If he puts a foot wrong, he blows it all. Defying passivity he smashes every one. It is a disturbing, pessimistic vision, redeemed by moments of black humour but offering no way out but the prospect of meeting extinction before it comes to meet you.

Lupu deputises for Gilels

The Philharmonia Orchestra has announced that Emil Gilels has been taken ill in Germany and has been forced to cancel the remainder of his European tour, including his appearance at the Royal Festival Hall tonight, with Riccardo Muti and the Philharmonia.

Radu Lupu will now be the soloist in Beethoven's "Emperor" Concerto at the concert.

Madama Butterfly/Strasbourg

Andrew Clark

With a new production of Madama Butterfly staged by Jean-Pierre Ponnelle, the opening of the season at the Municipal Theatre in Strasbourg promised much. In the event, expectations have been disappointed.

Alain Lombard's abrupt cancellation less than two weeks before the first night—an ungrateful way for him to end his increasingly unpopular term as music director of the Opéra du Rhin—forced the première to be delayed. His replacement, Yoshinori Kikuchi—formerly conductor at Palermo and now at Wiesbaden—lacks the sensitivity and imagination to dissociate the score from its overtones of cheap sentiment.

The Butterfly, Yoko Watanabe, proves in a similar way that Japanese nationality is no guarantee of insight and inspiration in this opera. In spite of her authentic facial features, Miss Watanabe is actually taller than her Pinkerton, and an air of over-confidence and savoir-faire in the first act robs her portrayal of the subtly-graded character development essential to effective performance of the role. She sings with power, accuracy and some charm, but her phrasing is clipped and she must learn to deploy more vocal colour. However, it was not her fault that there were so many discrepancies in timing between stage and pit.

Julian Patrick's sympathetic and resonant Sharpless is the most distinguished feature in an otherwise unexceptional cast.

Ponnelle, now recovered from the illness that interrupted so much of his work in the first half of the year, depicts a Butterfly of uncharacteristic lifelessness. The lack of excessive detail and psychological motif is a welcome surprise in a Ponnelle Production, even though the strict symmetry of the decor, comprising an outsize Japanese house with a foreground of stony scrub, is entirely predictable.

The production's most notable features are its clever suggestion of Yankee vulgarity—the disposable one-piece shirt, collar and tie slipped on under Pinkerton's naval jacket is the best example—and the developing contrast between Suzuki's adherence to Japanese ways and Butterfly's pathetic Americana.

Saleroom

Antony Thorncroft

This is the week in which Sotheby's and Christie's will be holding some of their best sales of the autumn season. One that will be closely monitored is the silver auction at Sotheby's on Thursday. Silver has been one of the most volatile of the fine art markets. This is inevitable given its rise and fall in line with the commodity price of silver and its vulnerability to such strange phenomena as the Bunker Hunt attempt to corner the silver market almost two years ago.

Christie's silver sale last week did well, and Sotheby's will be encouraged by the demand there for the best items — a feature of all fine art sales. In particular a rare Charles II Chinoiserie tankard, estimated at £10,000-£15,000, will attract considerable interest. Silver of this period with Chinese designs appeals to two different collecting fields and this particular lot is in fine condition.

Also in the sale is a Paul de Lamerie soup tureen and cover of 1741 which could make £30,000 and a Victorian travelling dressing case, with many silver items, which was probably a wedding present. It is modestly estimated at around £4,000. Judging by the Christie's sale there is more interest in presentation silver and a vase and cover given by Queen Victoria to the Royal Yacht Squadron in Cowes in 1858 also seems cautiously forecast at up to £2,000. At the moment silver, in particular English silver, is cheap — and the salerooms estimates suggest they are not daring to talk up the market.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

November 5–11

Opera and Ballet

NEW YORK

Metropolitan Opera (Opera House, Lincoln Center): The season continues with performances of Lucia di Lammermoor, Idomeneo, Un Ballo in Maschera, and Il Barbiere di Siviglia. (3826000).

New York City Opera (State Theater, Lincoln Center): Repertoire continues with performances of The Merry Widow, Carmen, La Boheme, and Mefistofele. (8705570).

Chamber Opera Theatre of New York (221 E. 71st). The first New York production of Mozart's lyric fable Bastien and Bastienne presented in English. (7379611).

Joyce Theater (175 8th Ave.): Murray Louis Dance Company have their first local season in two years, which features premieres of Many Seasons, A Stravinsky Montage, and Aperitif with a new Louis solo. (2420800).

Brooklyn Academy of Music: The Cullberg Ballet Company makes its debut with productions of Giselle, Miss Julie, Pulcinella and Pimpinella and Soweto-South Africa. (6364100).

WASHINGTON

Opera House (Kennedy Center): The Washington Opera company continues its season with Tosca and Falstaff. (2543770).

CHICAGO

Lyric Opera of Chicago (20 N. Wacker): Tosca continues on the schedule while Julius Rudel also conducts season premieres of Cosi fan tutte and an evening of La Voix Jumaine and the Zeffirelli production from the Metropolitan Opera of I Pagliacci. (3468111).

Goodman Theater: The Hubbard Street Dance Company will perform a new ballet with several old favourites. (4433800).

LONDON

Royal Opera, Covent Garden: the Khovanshchina revival, less gripping than it might have been, is nevertheless worth catching, above all for the splendid Ivan Khovansky of Yevgeny Nesterenko. Placido Domingo returns to one of the Royal Opera's most enjoyable recent productions, Puccini's Girl of the Golden West, with Marilyn Zschau giving her first London Minnie.

English National Opera, Coliseum: War and Peace, another mighty Russian operatic epic, returns with a strong cast and Mark Elder as conductor. The Italian Girl in Algiers, one of the company's happiest Rossini efforts, shows in its title role one of the world's most stylish Rossinians, Della Jones. The Jonathan Miller Rigoletto, a Mafia drama of the 1950s, takes on a new cast of principals – Jonathan Summers in the title role, Dennis O,Neill, and Patricia O'Neill.

WEST GERMANY

Berlin Deutsche Oper: Tosca has Gwyneth Jones in the title role. Further performances are Der Wildschütz and Othello, a fresh and delightful revival, featuring Spas Wenkoff and Stefka Evstatieva. Also Salome produced by Wolfgang Wagner. Madame Butterfly has an all-Italian cast. Der Barbier von Sevilla closes the week.

Grace Bumbry: Tosca in Frankfurt

Hamburg Staatsoper: La Boheme has Marie Anne Häggander in the part of Mimi. Carmen has Stefania Toczyska in the title role. Wozzek has fine interpretations by Franz Grundheber in the title role.

Cologne Opera: Titus brings together mezzo-soprano Brigitte Fassbänder and Josef Protschka. Also this week Der Barbier von Sevilla conducted by John Pritchard.

Frankfurt Opera: The week starts with My Fair Lady, a well done repertoire performance. The week's highlight is Tosca with outstanding singers Grace Bumbry and Luis Lima, conducted by the young talented American conductor Judith Somogi. Un Ballo in Maschera with Juan Lloveras as Riccardo and Mara Zampieri as Amelia completes the programme.

Stuttgart Württembergisches Staatstheater: Cav and Pag with Eva Randova and Carlo Bini. Manon Lescaut features Maria de Francesca-Cavazza and Raymond Wolansky.

Munich Bayerische Staatsoper: Charles Gounod's Faust with Mirella Freni, Astrid Varnay and Nicolai Ghiaurov. Manon Lescaut, produced by Gian Carlo del Monaco with Anna Tomowa-Sintow and Giorgio Lamberti. Wozzek with Cornelia Wulkopf and Bodo Brinkmann rounds off the programme.

Stuttgart Opera: Canadian Royal Winnipeg Ballet. (221316).

PARIS

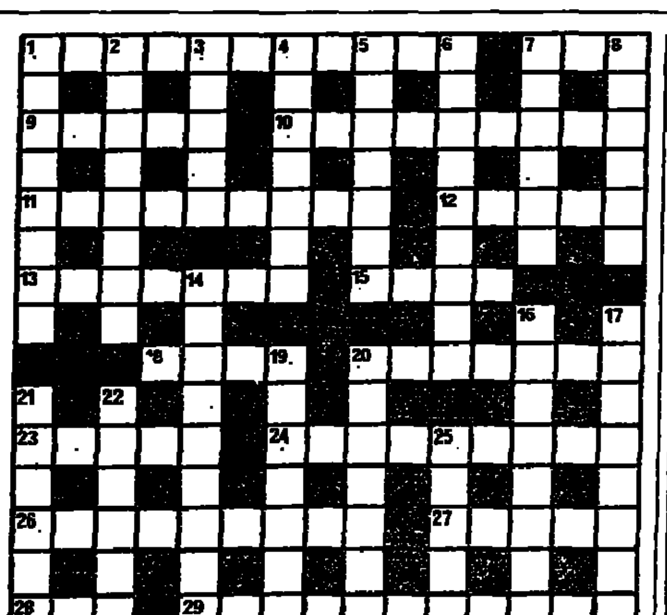
Paris Opera alternates Aribert Reimann's Lear with Midsummer Night's Dream, a ballet by John Neumeier. Opera-Palais Garnier (7425750). Atalanta, Robert Ashley's musical. Centre Georges Pompidou. (2787995).

VIENNA

Staatsoper (53242345): Jenufa, Le Nozze di Figaro, Tannhäuser, Der Liebestrank, Madame Butterfly.

Volksoper (53242657): Die Csardasfürstin, Die Zauberflöte, Wiener Blut, Kiss Me Kate.

F.T. CROSSWORD PUZZLE No. 5,020



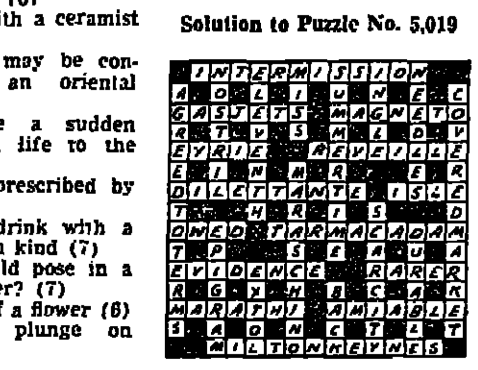
ACROSS

1 Stop British Rail dishing up hot soup (6, 5)
7 & 28 Collision makes one politician do something (6)
9 Bird in meagre bevy (5)
10 Shy person giving introduction to green (9)
11 An impression obtained from a farm vehicle or it could be from a pick-up (8)
12 A peevish complaint about gas in a drink (5)
13 Cat turning back on part of roof? It could be touching! (7)
15 Open fabric one left in return (4)
18 Wood to do business with (4)
20 Think it could be the guilty party (7)
23 Weak note in an article (5)
24 Fabric covering Saint's part of leg (9)
26 Syrup produced from topless orange to eat (9)
27 Old alarm set back for picture on a wall (5)
28 See 7 Across
29 Lunar astronauts or just Scottish soldiers (11)

DOWN

1 Foresight needed to produce long story on a metropolis (8)
2 Obsessed with a single subject, like one side of a record (3-5)
3 Not having knocked a fence down It's obvious! (5)
4 Nag's head in its headgear is marked with spots (7)
5 Nought at dinner but uncooked porridge (7)
6 Fools using a loose head-covering for brief maps (8)
7 Tending to conciliate anger over National Insurance claim initially (6)
8 Waste time with a ceramist (6)
14 Hope a grid may be converted into an oriental symbol (9)
16 Soldiers make a sudden attack to add life to the battery (8)
17 An incentive prescribed by the doctor (8)
19 The bird to drink with a flock of its own kind (7)
20 Dame who could pose in a pleasing manner? (7)
21 Blemish part of a flower (6)
22 Undress and plunge on strait (6)
25 Stomach Rugby Union members (5)

Solution to Puzzle No. 5,019



THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

Redundant: but willing to risk all on a shirt

BY TIM DICKSON

Further articles in this series will appear on November 16 and 23.

SINCE January this year when he helped set up Cyglen, Peter Glennon has discarded some 2½ stones from his once hulky 17 stone frame. Becoming owner manager of a new North West textiles business—with all the work and anxiety which that entails — may well have had something to do with his weight reduction but he can nevertheless count himself lucky that it has so far been the only major sacrifice.

Glennon is the first to admit that if he had stuck to his original plan and set up Cyglen alone—without the support of the three local businessmen who are the other shareholders—he would most certainly have lost pounds of a different kind during the past few months.

Like many people put out of work by the current recession, Glennon's reaction to the impending shutdown of Tootal's Humphrey Lloyd plant at St. Helen's, where he was production manager, was to set up in business on his own.

Convinced that shirt manufacturing on a smaller scale than Tootal's could still be viable in St. Helen's and armed with a couple of firm orders from two major customers, Glennon turned down an overseas post with another company, opted for redundancy and approached the Community of St. Helen's Trust for some help.

The St Helen's Trust was one of the first enterprise agencies to be established in the UK and thanks in large part to the energetic leadership of Bill Humphrey it has built up a nationwide reputation for cost effective and constructive help for small firms.

Humphrey's advice to Glennon was simple enough. Go and have a chat, he suggested, with K and A Textiles, a highly successful St. Helen's company which since setting up in 1976 had grown quickly on the back of processing (repackaging and relabelling, for example) other companies' imported garments.

The result of the subsequent conversation was the birth of Cyglen—a joint venture in which the three directors of K and A (Vic Jones, Jim Rawlinson and Lawrence Winterbottom) each put up money for a 25 per cent stake but, much more important than the cash, contributed their management and marketing experience and wide range of contacts in the industry. Glennon meanwhile put up £3,000 out of his £3,280 redundancy money for the balance of the equity and in common with the other three has signed a joint and several guarantee to the bank.

By any standards Cyglen has got off to a tremendous start. The company budgeted for first year turnover of £130,000-£140,000 but with orders flowing in at an unexpectedly brisk rate total sales for the first 12 months could now top more than £400,000. Even more heartening is the expansion of the workforce.

Cyglen began with 20 of the best employees laid off by Humphrey Lloyd and has since taken on a further 60 people (admittedly some are part-time), thereby more or less mopping up the others made redundant through the big company closure.

Considering the new company is doing nothing more sophisticated than manufacturing cheap garments on sewing machines recently discarded by the Tootal group, this early record is a considerable achievement.

Mike Arron

Peter Glennon (centre) with two of his three fellow-directors Jim Rawlinson (left) and Vic Jones: "If I had done it by myself, I would be out of business by now."

Glennon admits that without the impetus provided by redundancy he would never have kicked a lifetime's habit of working for other people. He is also well aware now that he did not possess the all round skills required for owning his own business and that going into partnership with other, more experienced people has provided an excellent solution.

"If I had done it by myself I would be out of business by now. One of the customers which had promised me orders at the beginning has itself gone into liquidation and this would have put me in a very vulnerable position.

"I also miscalculated the amount of money required to get going. Our premises are rented from the council but I didn't realise that about £4,000 needed to be spent on heating and lighting. Without support from the others we would have been working in here by candlelight."

Flexibility

Jim Rawlinson adds. "What often throws a new company is cash flow projections. Peter is a superb production man but he does not know as much about administration and sales. He had not allowed any gaps for collecting money owed to him in his original plan."

The secret of Cyglen's early success, however, really lies in applying the K and A philosophy to manufacturing.

K and A was set up in 1976 when Rawlinson, who also owns his own knitwear company, and Jones, a Littlewoods buyer, saw a gap in the market for repackaging the wide range of garments imported in bulk by the big mail order companies. Such goods typically come into the UK from places like Hong Kong but besides repackaging for distribution singly through mail order houses, they often need to be relabelled, reticketed, checked for quality, cleaned and even repaired. K and A offer all these services which depend, of course, on rapid turnrounds and flexibility.

K and A's customers include the Littlewoods Organisation, the British Mail Order Corporation (part of Great Universal Stores), Levi Strauss, Empire Stores Grattans and Burtons. Littlewoods and BMOC account for about 40 per cent of sales.

With these contacts the attraction for the K and A men of setting up Cyglen was obvious — particularly since they were able to pick up what plant and equipment they needed from Tootal for a mere £5,500. As Jones explains, "We reckoned from our knowledge of the industry that there was an opportunity for a flexible producer of "repeats" for companies which were primarily importers. Mail order houses sometimes find that a particular product suddenly takes off and they need more supplies in a hurry. They can't wait for a new delivery from overseas which is where we can come in."

In the past few months Cyglen's army of sewing machine girls has made up a wide range of garments from shirts to blouses and pyjamas. They have been asked, for example, to copy a Hong Kong manufactured shirt for a big mail order group, while the popularity of the recent TV adaptation of Brideshead Revisited resulted in tremendous (but short-lived) demand for winged collars.

By manufacturing Hong Kong shirts, Cyglen has turned the wheel full circle. Only a few years ago it was the Hong Kong textile manufacturers which began knocking a hole in the British textile industry by copying UK designed shirts. Cyglen, however, does not claim always to compete on price. Its marketing strength is its ability to react quickly to short-term demands.

The Cyglen concept also appeals to the men from K and A because they believe in expansion through the creation of small units. "I am a great believer in the optimum size of companies and I believe that with K and A we are probably there now," says Rawlinson. "If you get too big you have to develop a structure for management which can mean managers losing touch with what is happening on the shop floor. Big companies get into difficulties with big runs which by definition is a trap small companies should not fall into."

K and A has already set up a separate sweat shirt unit in St Helen's and is in discussion with a Hong Kong contact who wants the company to finish half made imported shirts. "I have this vision," says Rawlinson optimistically, "that St Helen's could become the Hong Kong of the North West."

NatWest and Cosira team up to fund the rural business

NATIONAL Westminster Bank has teamed up with the Council for Small Industries in Rural Areas (Cosira)—"one of the oldest quangoes," as its chairman said with some pride recently—to offer preferential loan terms to small businesses based in the country.

Cosira itself provides fixed rate money up to a maximum of £75,000 to qualifying firms employing less than 20 people, including 3 per cent interest rebate in special investment areas. But its support is restricted to one-third of the cost of the project being financed.

Cosira maintains in its annual report published last month that banks are proving more willing to lend to companies where they know that the agency is involved. Under the new scheme NatWest has now formally agreed "to consider on preferential terms requests recommended by Cosira."

Term assistance will be provided either by way of the fixed rate NatWest Business Development Loan or through a variable rate loan at an interest rate of 2½ percentage points above NatWest base rate. The usual arrangement fee has been reduced to ½ per cent. The upper limit for a loan will be £250,000 over a maximum of 20 years.

● Cosira, which was set up in 1909 by Lloyd George to counteract the late 19th century population shift to the towns, offers a wide variety of services to help small firms start up or expand. These include technical, financial and management advice and the provision of training facilities. Cosira prides itself on its policy of "knocking on doors" whereas the Department of Industry Small Firms Service tends only to respond to enquiries. Cosira operates in most rural areas through local offices. Head office: 141 Castle Street, Salisbury, Wiltshire SP1 3TP. Tel. 0722-6255.

T.D.

In brief . . .

BRIDGING the very wide gap between small firms and the often remote purchasers in large organisations is a task which the London Enterprise Agency has been trying to tackle this year. Following its September seminar when 120 firms met senior buyers from the Property Services Agency, British Rail, the Post Office and North Thames Gas, LEntA has now arranged a similar session with the Ministry of Defence Procurement Executive, the Central Electricity Generating Board, the National Health Service and the Greater London Council Supplies Directorate. The event will take place at the London Chamber of Commerce on November 26. Enquiries to Claire Truman 01-248 4444, Ext. 222.

●

SMALL firms in the Northern Region (Northumberland, Durham, Tyne and Wear, Cleveland and North Yorkshire) are offered three prizes of £10,000 each in a new "How's Business" competition organised by Shell UK and the Small Business Centre at Durham University Business School. There is a prize for three different categories of company: those with between one and five employees; those with between six and 20; and those employing between 21 and 100 people.

The main purpose of the competition is to help small companies think about and achieve growth faster than would otherwise have been the case. The entry form essentially asks competitors to set out their plans for expansion.

Those reaching the final assessment stage will receive special counselling and educational support and could qualify for a "Special Growth Programme" sponsored by the Manpower Services Division.

There will also be an "advisor prize" of £500 for the most valuable contribution by an accountant, solicitor, banker or counsellor.

Eligible companies must be independent, owner-managed, British and have been trading actively for not less than three years. Turnover should be less than £2m. Details from John Eversley, Small Business Centre, Durham University Business School, Mill Hill Lane, Durham DH1 3LB. Telephone Durham 63561. Closing date is January 31 1983.

●

TWO useful books about and for small businesses have recently been published. "Start Your Own Business—the Self Employment Option" by Judy Hillman introduces the reader to the opportunities problems and fun involved and profiles ten men and women who have taken the plunge.

Published by the London Enterprise Agency and sponsored by British Petroleum, it will be available at £2.50p through W. H. Smith and other leading bookshops from November 15.

"How to Survive the Recession" is a topical and catchy title for a book directed at small businessmen. Aimed at the entrepreneurial manager who is not an accountant, it is a do-it-yourself guide to implementing financial controls or checking the usefulness of those already being operated.

It is based on particular problems and cases encountered by the author, Jeremy Prescott, a chartered accountant who used to work for the Industrial and Commercial Financial Corporation (ICFC) but is now employed by Samuel Montagu. Wisely he cautions that "as with any DIY manual, professional competent help should be obtained on any points of difficulty." Available from some bookshops and from the Institute of Chartered Accountants in England and Wales, Moorgate Place, London EC2. Price £4.95p.

●

THE Management Buy-out Association is spreading its wings. Classified registers of managers and professionals willing to provide impartial and confidential help with buy-outs are now being compiled and will soon be available to members. Offering help in this way is one of the association's main aims but providing a forum for debate on all matters affecting buy-out is another. Membership costs £25 a year and subscriptions should be sent to Michael Maslinski, 6 George Street, Hertford.

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Tuesday November 9 1982

A missed opportunity

IT HAS been clear for some time that while output in Britain has remained depressed, the Government's financial position has been undergoing a marked improvement. So much so that the scope for pre-electoral tax cuts has increased some way beyond what seemed possible at the time of the Budget earlier this year. Sir Geoffrey Howe's autumn statement now points to lower growth in output than anticipated this year and to a 1½ per cent increase in GDP next year, *which is not very different from* what is expected from the other industrialised nations. And while the statement almost certainly errs on the side of *caution in presenting* the revised financial forecasts, it does not upset the broader picture.

At this point in the political cycle *perhaps, no* Prime Minister could ask more of a Chancellor than that. But the rest of us are entitled to ask for more; and at first glance, it has to be said that Sir Geoffrey's offering looks something less than inspiring.

Innovation

Perhaps the Chancellor's drab delivery has something to do with it. No one listening to his speech in the Commons yesterday would have guessed, *without prior* knowledge, that it represented an important innovation. In effect a mini-budget, this autumn statement provided earlier (and more) information on the Government's revenue, expenditure and borrowing projections (assuming the indexation of the main tax allowances and thresholds of excise duties) than ever before. While those forecasts remain subject to revision, they none the less provided a real opportunity to take corrective action when the exchange rate has been signalling for some time that policy is far more restrictive than necessary within the context of the Government's own medium-term financial strategy.

In the event we were given half a loaf. From next April the National Insurance Surcharge rate is to come down from 2½ per cent to 1½ per cent, which will benefit private sector employers by about £700m in 1983-84. At the same time the 1 per cent reduction *will be brought forward into* the current financial year, which should be worth a further £350m to the private sector in 1982-83.

This is all to the good, as far as it goes. The thrust of the Government's economic policy has, in the past, been concentrated on bringing down inflation, now forecast to reach 5 per cent early next year, and helping industry by engineering as rapid a fall in interest rates as possible. As a result consumer spending has increased; but the benefit has leaked into the balance of payments through increased imports, while sterling has remained high.

It is possible to exaggerate the threat of import penetration; the exchange rate will need to adjust to mitigate the damage. But in addition there is everything to be said for cutting the manufacturing sector's payroll costs directly. Unlike falling interest rates, which can go into labour saving as well as labour using *investment, a reduced National* Insurance Surcharge is likely to go into increased employment and increased profits. The only pity is that the Chancellor could not have abolished it entirely.

The Chancellor did not choose to discuss the exchange rate or monetary policy in his speech. *And the forecasts in the economic* statement are made on the basis of an unchanged exchange rate. Meantime Sir Geoffrey is keeping as much as *possible in his locker for next* year's Budget.

On the revised assumptions about spending plans, the Government's forecast like the medium-term financial strategy, assumes that there will be fiscal changes in the 1983 Budget to bring the PSBR for 1983-84 to 2¾ per cent of GDP, which is *equivalent to £8bn. This leaves* room for a fiscal adjustment—a euphemism for tax cuts or increased spending—of £1bn. But it seems unlikely that the Chancellor *has foregone the opportunity* to maintain a handy pre-electoral reserve through cautious forecasting.

Reflation

All this could point to over-generous income tax cuts in next year's Budget—arguably the least cost effective way of generating jobs—and to the risk that the Government will end up doing too much, in the way of reflation, too late.

In recent months the monetary aggregates have been behaving relatively well. But with the money supply targets unchanged, inflation coming down much faster than expected *and a big cut in mortgage rates* about to work its way through the system, private sector credit is likely to expand faster in future. By the time next year's *Budget comes along*, a big addition to domestic demand may well be rather late in the day. The opportunities were better grasped today.

Security in Asia

MR CASPAR WEINBERGER, the U.S. Defence Secretary, has been touring South-east Asia and the Pacific stiffening the backs of *America's non-Communist* allies in the area in the face of a growing Soviet military presence. He has stressed America's commitment to doing "*whatever is necessary*" *to defend* their interests in the event of aggression and has breathed new life into two military pacts negotiated at the time of the *cold war—the Manila Pact of* 1954 and the earlier Anzus Treaty.

Mr Weinberger's assurances represent an important, renewed *commitment by the U.S. to defending* Western interests in an area of vital economic importance for the industrialised world, in which the flow of oil *and the flow of trade run like* twin jugular veins east to west and *vice versa*. The assurances have been necessary because, ever since America's ignominious retreat from Vietnam in 1975, U.S. policy in Asia has been characterised by a sense of drift and uncertainty. It has also, perhaps understandably, been much lower down on the scale of priorities than, say, the Middle East or Europe.

Exception

The one notable exception was the opening to China, pioneered by Mr Richard Nixon in 1972. But even here the rules of the game are changing. The U.S. is now faced with a situation which is far more complex than might have appeared at the time of *normalisation in 1979 when the* idea of a strategic alliance between Washington and Peking in opposition to Moscow was regarded as a fixed point in international *relations*. Today Peking and Moscow are talking about mending their fences, potentially an event of awesome importance, while relations between the U.S. and China have cooled since the latter's shift to a more even-handed foreign policy.

In addition *the U.S. has been* faced with a minor revolt among some of its allies in the area—notably the Philippines and Indonesia—at the idea of giving Japan a bigger military *role to compensate for the fact* that American resources are stretched unacceptably thin.

Japan has been asked, firstly, to boost the level of its overall *defence spending*; to be fair, it has done so over the past few years though not at the pace which the U.S. would have preferred. Secondly, the U.S. wants Japan to patrol the sea lanes within 1,000 nautical miles of its islands, a more controversial proposition. Countries in south-east asia with lingering memories of Japanese atrocities in the second world war are worried at the possibility of renewed militarism in Japan. There is also concern that a regional military role for Japan would eventually replace and not merely complement the U.S. presence in the region.

Strength

Mr Weinberger's soothing remarks are a sensible first step. What is now required is a broader dialogue between the U.S. and its allies in the area to define the nature of the threat which faces them and how best to deal with it. Japan, which appears to have been taken *aback by the strength of opposition* to its expanding military role, will no doubt independently wish to allay the fears of its neighbours. It should *certainly not, be discouraged* from shouldering a greater part of the military burden which, after all, is largely there to defend its own economic interests.

But battleships are not the only answer to the Russian presence. The U.S. and the West should also look for ways of reinforcing the economies of the region which, for the first time, are beginning to feel the strain of the world recession. In recent years these countries have represented the most dynamic element in the world economy and the West should place *no* unnecessary obstacles in their path. Economic *prosperity is ultimately the best* guarantee of political stability.

BRITAIN'S ECONOMIC PACKAGE

From monetarism to immobilism

By Samuel Brittan

The Treasury has, after nearly two decades of argument, accepted that the Autumn Public Expenditure Statement constitutes the Budget in most sensible meanings of that word. It has made one tax decision—the limited 1 per cent compromise reduction in the Employers' Surcharge. On this basis it has at long last put expenditure and revenue estimates together for the coming financial year, not in a "Green Book" but in a "Blue Book." The colour is not, however, a coded forecast of the next Election results.

Growth of output no more than 1½ to 2 per cent

But when it comes to content there is much less to cheer. Public expenditure in "cost terms"—that is after allowing for inflation—is expected to fall by about a ½ per cent and from 45 to 44 per cent as a proportion of GDP. There would be more to celebrate in this achievement were it not taking place during a year which is expected on the Government's own forecasts to be one of deepening recession.

The growth of output in 1983, whether expressed as year on year or second half on second half, is expected to be no more than 1½ to 2 per cent. The rise is not nearly enough to offset the natural increase of the working population and the rise in productivity of which the Government is, in other contexts, so keen to boast.

The Government Actuary has accordingly been "instructed" to assume an increase of 300,000 in the number of adult *unemployed in 1983-84* and another 60,000 in school-leavers, temporarily stopped and so-on. Average earnings are expected to rise by some 6½ per cent in the *next financial year* compared with 9 per cent in this one. Inflation is expected to be around 5 per cent at most points in 1983, with some hint of a temporary dip below this in mid-year.

The Government's own budgetary position is still marked by undershooting; and in addition it looks as though the Treasury has been ultra-cautious in its estimates. The estimated Public Sector Borrowing Requirement for 1982-83 is put at £9bn, some £0.56bn below the last Budget forecast. For next year it is put at £8bn on the assumption that the Chancellor reduces taxes by another £1bn over and above the NIS and other adjustments that he announced today. (This is what is meant by "implicit fiscal adjustment.")

HOW TREASURY SEES BUDGET OUTLOOK

(£ billion)

	1981-82	1982-83	1983-84
General government expenditure	120	130½	136½
General government receipts	111½	120½	129½
Implied fiscal adjustment	—	—	1
General Government Borrowing Requirement	8½	10	8
Public Sector Borrowing Requirement...	9	9	8
as percentage of GDP:	3½	3½	2½
Money GDP at market prices % increase shown now	10.4	8.3	6.9
% increase in 1982 Budget Red Book ...	[illegible]	9.8	9.6

Even on the Chancellor's own basis, the estimate for tax reduction is likely to prove too little; and we will be in the usual position — adjustments will have been left so late that a pre-election handout will be thoroughly approved by non-partisan officials and economists. Indeed, if some cyclical adjustment is made for the worse-than-expected recession, the figure of allowable reliefs could be raised to £3bn from the most impeccable "sound money" point of view—although as usual it will come too late.

One the monetary side the "Blue Book" sticks to the 8 to 12 per cent range for monetary growth this year and 7 to 11 per cent next year, although hints at the perfectly respectable reasons why the narrow aggregate (M1) may go over the top of the range.

But neither the PSBR nor the monetary numbers are ends in themselves. They are simply means to maintain the growth of monetary demand and the money value of the national output at a rate which will support reasonable growth of output and employment at low or declining rates of inflation.

It is in this most fundamental sense that policies are undershooting. A growth of Money GDP of 9½ per cent in this this financial year and next, as projected in the last Budget Red Book. But this measure of the national income is now expected to grow by about 8 per cent in 1982-83 and 7 per cent in 1983-1984. In other words, wage increases have moderated, productivity has increased; but instead of the benefits being felt in output and employment, as in earlier statements of the Government's financial strategy, it is running to waste in slump and unemployment.

There are two sets of figures in the Blue Book, on which the Prime Minister's speeches have drawn heavily. First, there are *the forecasts of slow world* growth (2 per cent in 1983). For the political leaders of every country to point at the bad performance of other countries as *the main reason why they are* performing so badly themselves is surely a logical fallacy.

The second, more local argument is that domestic demand has *not increased all that* slowly but that it has mostly leaked into imports. But is that surprising when, on average, British labour costs are some 30 per cent *higher than competitors* at current exchange rates?

The complete abolition of NIS which could easily be afforded on the Blue Book figures, would *have done something* to reduce costs. The alternative of income tax cuts—which the Blue Book ready reckoner shows t be enormously expensive if they are to have a notable impact—is attractive mainly for reasons of internal Conservative politics, as some Back Bench questions showed.

It is hard to see how any Treasury economist could either support the retention of NIS or accept that nothing should be done about the effective exchange rate which has, against all fundamentals, appreciated by a further 4 or 5 per cent in the last year.

Government statements about the 7 per cent reduction in short term interest rates are extremely misleading because the comparison is with a temporary peak last autumn. Compared with the spring of 1981 the reduction is only about 3 per cent—much less than the fall in the inflation rate.

More profitable to take on labour

Interest rates will surely have to come down a good deal more and *Ministers will* need to be much more active in finding ways of *making it more profitable* for employers to take on labour—instead of persuading them to *split jobs, retire people* earlier and do other things very far removed from the economic realism of which the Government likes to speak.

Why Sir Geoffrey likes to plod

By Malcolm Rutherford

SIR GEOFFREY HOWE is becoming one of the great survivors of British politics. No hint now that he will cease to be Chancellor of the Exchequer before this Government is out. Indeed if the Tories win the general election it is possible to imagine him still plodding on, paring away at the Public *Sector Borrowing Requirement* and seeking further to reduce the rate of inflation.

In truth, he would probably be happy to move to the Foreign *Office once the election is out* of the way, to be succeeded at the Treasury by his friend Mr Patrick Jenkin, currently the Secretary of State for Industry.

But the approach would probably be much the same. Both men believe in chipping away with a succession of little changes which accumulate over *time*. It *is as though political* flair is a virtue deliberately to be avoided. It is only the long haul that matters.

What else can one make of a Chancellor who in the course of his key statement yesterday had only this to say about unemployment? "Unemployment remains the nation's most distressing problem. As in other countries, further rises are expected to continue into next year, although they should moderate as output picks up in response to lower inflation and lower interest rates."

At what stage, one wonders, will the figure become high enough for Sir Geoffrey to take his eyes off inflation and the PSBR and even perhaps to express a word of passion?

Yet behind the Treasury language there is a degree of political method. The Chancellor is being given a large amount of say in preparing the next Tory Manifesto, and you could see that coming out in yesterday's speech.

Coupled with other recent statements, several themes emerge. One is certainly the *long haul. Sir Geoffrey* goes out of his way to make comparisons with the past and also, as he has learned in office, with other countries. It is the *first time since 1977, he noted*, that a British Government has "been able to stop expenditure plans for a particular year rising with each annual review."

It is the same with inflation. It is the first time in recent cycles that the trough has been lower than in the previous cycle. And we now learn from Treasury hints that the rate may go even below the five per cent recently forecast for next spring.

Sir Geoffrey Howe (left): happy to be succeeded by his friend Mr Patrick Jenkin (right)

The political message is very *clear. Britain's relative* economic decline took place over very many years. Equally, it will take years first to halt and then to reverse it. That is *what the Chancellor is trying* to get across to the electorate in order to win the Government a second term: the medicine may be nasty, but the prescription is right.

There was also a further stress on privatisation and an implicit criticism of the public sector. Hence the decision to discriminate between private *business and the nationalised* industries in reducing the National Insurance Surcharge. The private sector will benefit more. That too was a clear signal.

Not least, there was the emphasis on the need for low wage settlements and the refusal, which annoyed sections of the Tory Party, to allow social security benefits to grow by more than the rate of inflation.

None of these themes from Sir Geoffrey is new. Most of them can be traced back to his first Budget and beyond. What is notable is that, after nearly *four years in office, he has the* confidence to believe that he is beginning to put them into effect. Almost nothing that has happened has made him change his mind: neither recession, nor unemployment.

There is also a certain obstinacy, perhaps even perverse pleasure, in the way that the Chancellor doles out what prizes there are. In fact, the statement did contain something for industry. Taken with the freeze on gas prices and other announcements — such as the new bypasses — over the last few weeks, it shows that the Government is at least half heeding the CBI's case for a reduction of business costs. But it does not like to say so too loudly.

The bigger prizes, if there are any, are being kept tantalisingly to the last. Sir Geoffrey hinted yesterday at a "fiscal adjustment"—*ie*, scope for further tax cuts in the budget — of around £1bn, though that amounts to little more than one penny off the basic rate of income tax if used that way. There may be more.

What that means in political terms is that we shall have to go on guessing. The game of "what will the Chancellor do?" has been played for the last *few* weeks. It will be resumed well before a budget that will surely be the last of any consequence before the general election.

The statement tells us nothing fresh about the election timing. All the old options remain open. There is, perhaps, however, a certain dilemma. The Government has always said that it did not want to go to the country after a give-away budget in the manner of the Tories in 1955. It would be ironic if, by keeping the rewards to the end, this is what it does.

Yet, knowing Sir Geoffrey, it may be wiser to assume that he will not change his spots. The message yesterday was "inflation better, but recession worse." Possibly the budget will not be very exciting either.

Men & Matters

After Eady

The threatened abolition of the British cinema's Eady Levy comes at a time when the native film industry is in better health than for many a year past.

The large-scale television Channel 4 funding of independent feature films has painted a rosier-looking picture. At least two, Angel and Remembrance, have reached the big screen recently and have been well received.

The successful makers of Chariots of Fire could well have been right when they assured us at the Oscar awards last year "the British are coming."

Perhaps an unprotected British cinema may rouse itself to more determined creative action in the future.

Certainly the prospective cuts in government assistance face up to the fact that the National Film Finance Corporation has been a declining force in recent years—though it has not been without one or two courageous funding decisions.

The hope must be that a new *respect among film-makers for* public taste will build a more responsive and adventurous British cinema based upon market forces rather than state *subsidies*.

Bar none

And there shall be much wailing and gnashing of teeth among male chauvinist drinkers in Fleet Street and points east.

Only last week I reported that El Vino's, that stubborn bastion of male exclusivity among the City of London's watering holes, was soon to open a new branch. And that the house rule that "women will be served sitting down" was being rigidly observed.

Not any longer. Three Appeal Court judges ruled yesterday that women must be allowed to stand and be jostled at the bar on equal terms with men.

El Vino's rule was unlawful sex discrimination, said their lordships. It put women at a disadvantage to men — particularly women journalists who might be deprived of the chance to overhear bar gossip that was available to male colleagues and rivals, said Lord Justice Griffiths.

A woman was denied the flexibility of choice of companions if she had to sit when others might stand, said Lord Justice Everleigh.

Not only women will be delighted at the decision. Those male lawyers and journalists who have boycotted El Vino's as a gesture of solidarity with their female colleagues will no longer have to make that supreme sacrifice.

Dutch courage

Ruud Lubbers, Holland's new premier, is a business prodigy turned politician who is seen by many as a bold new force in Dutch politics.

At 43 he has become the youngest head of government since the Dutch constitution was enacted in 1814. A member of a wealthy iron-founding family, he was a director of the business at 26. He later honed his *mediation skills as a labour* union contract negotiator for the metal industry employers.

In a country where politics is a favourite—and sometimes *humorous* — spectator sport Lubbers first gained national prominence during the 1973 energy crisis with his campaign to make Dutch home-owners close their curtains to conserve heat.

After serving as minister of economic affairs Lubbers was recently the Parliamentary floor leader of the Christian Democrat Appeal. He got his chance to be premier when Andries van Agt — three-times Dutch premier—decided he would not stand for a fourth term.

"Jones the Hangover looks like being the only growth industry in the whole valley"

Lubbers, who has a personal fortune through his family business, is known for the common touch. He drives a small car to his office and his perpetual five o'clock shadow delights newspaper cartoonists.

Meanwhile, he is building a reputation for hard-driving consensus building between the right and the left in Holland. He has plenty of time before him.

Whisky galore

Just what they need in impoverished quarters of Naples. Two bottles of malt whisky in a tasteful display case *selling for £1,000 have been* delivered there. The murmur in the Scotch trade is that only Italians untroubled by tax will be rushing to buy this package from the Bruichladdich distillery on Islay off the west coast of Scotland.

According to Stuart Gunn, Bruichladdich's export man, Italy is the leading overseas market for bottled Scotch malt whisky — they buy more than *200,000 cases a year*.

This Islay malt will be exported in a Victorian style Tantalus containing two Edinburgh crystal decanters presented so that they are visible but only accessible with a key.

Trading panache like this steels the spirits of the malt distillers in Scotland despite the unhappy state of this distinguished sector of the booze market. World demand, down 5 per cent in 1981, and down again last year by several points, shows that the recession hasn't exactly driven people to drink. Virtually all the 100 or so malt distillers in Scotland are on short time or operating *on a care-and-maintenance basis* while stocks last. Stocks are lasting a bit too long and that's really the trouble.

When the growth rate falls *to less than half what it was in* the 1950s and 1960s buffer stocks build up and the production end suffers.

Too much inventory has *meant some malt distilleries* selling off to the cheap end of the blended Scotch market — which the industry feels is not doing Scotch any good.

However, the malt distillers with less than 1.5 per cent of the overall whisky market still feel the future is theirs. Some of them are even predicting a doubling of their exports in the next six years or more in an industry 85 per cent dependent on overseas trade.

Off-the-cuff

A reader who telephoned *his* doctor the other evening was answered by the doctor's wife. "Oh dear," she said "could you ring back in an hour or so? I daren't disturb him now —he's working on an impromptu speech for his Old Boys dinner."

Observer

Letters to the Editor

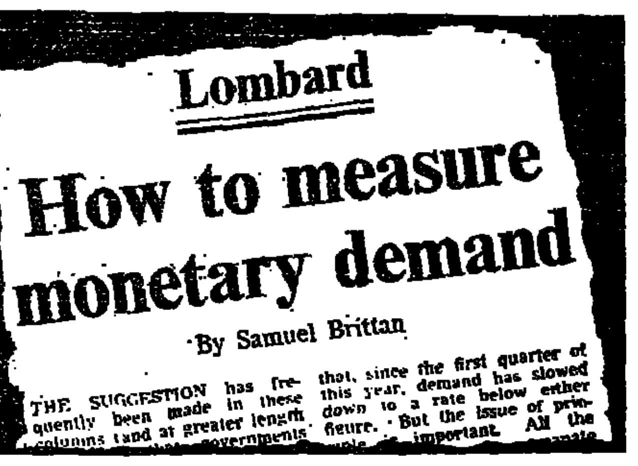
Monetary demand: weak as an analytic concept or guide to policy

From Mr H. Neuberger

Sir,—Samuel Brittan wrote again (November 4) about the notion of money GDP. His difficulty with deciding whether this magnitude is undershooting or overshooting only underlines its weakness as either an analytic concept or a guide to policy. Rather than being, as he suggests, either "monetrism without mumbo jumbo" or "new style Keynesianism" it is clearly the new style mumbo jumbo of monetarism.

The ultimate aims of economic policy include high output, high employment and stable prices. A given growth of money GDP is consistent with high output and stable prices or low output and high inflation. So we don't know whether or not to be pleased or not about money GDP undershooting until we know why it undershoots.

Nor do we have any policy instruments with which to control monetary demand. The relationship between monetary demand and the money supply (the velocity of circulation) is no more stable or reliable than has been any other monetarist relationship. The analogy drawn with cash limits on public spending is weak. There is no equivalent administrative mechanism. Public spending is in the first instance real demand. If the government builds a hospital, that is real output firstly and monetary demand only in its second round effect. Tax changes may be regarded as real or money demand.



The implied theory which underlies the use of money demand is that the level of real output in the economy cannot be altered by macro economic measures — sometimes known under the term crowding out. If we accept that theory and there are no adjustment delays, the money GDP growth is equivalent to inflation. But why not measure inflation directly. If theory is not accepted then the measure is wrong as well as redundant.

Any analysis of recent economic history suggests that fiscal policy and exchange rate policy have been the dominant elements in changing output. Fiscal policy stimulated the growth of 1978-79 and fiscal deflation and an overvalued pound brought about the collapse of output since then. If we deny the power of fiscal policy we cannot simultaneously blame the world recession for our loss of output. If as Samuel Brittan and the Government claim, demand cannot stimulate output, it matters not whether that demand is generated overseas or at home.

Henry Neuberger.
21, North Church Road, N1

Aspects of the Inland Revenue's withholding tax proposals

From Mr H. Roe

Sir,—I should like to comment on three aspects of the Revenue withholding tax proposals.

The Revenue published the infamous Yellow Paper dealing with company residence, upstream loans and privileged tax regimes in December 1981; a second discussion paper was published in July this year on the question of withholding tax from foreign dividends and interest; a further paper on the payment and deductibility of interest on foreign borrowing is promised before the end of this year. In addition, of course, the Green Paper on corporation tax was published in January. The first three documents may well interact since they are all aimed at so-called international tax avoidance. The Green Paper also touches on the question of double taxation relief and the taxation of foreign income.

It is very unsatisfactory that a number of important and related topics should be dealt with in this ad hoc fashion, since the likely reaction to particular proposals could well be influenced by later discussion documents. Furthermore, Ministers may well be persuaded by arguments about one aspect of tax avoidance before the likely impact of further Revenue proposals is readily apparent. Unless the various related topics are considered together it is likely that we shall get the wrong answers and that the UK will suffer unnecessary damage.

While it is perfectly proper for the Revenue to act on the tax avoidance it perceives, the taxpayer's concern about the basis of taxation of foreign income in the UK and the associated problem of double taxation relief should also receive consideration. The present rules for the taxation of foreign dividends, etc, restricts double taxation relief to particular years and particular items of income. This basis is quite wrong and inequitable if the income of foreign subsidiaries is to be taxed in the UK whether or not distributed as dividends to the UK parent.

The Revenue proposals ignore completely the timing problem, i.e. the difficulty of matching taxation on the same income in different countries because of the impact investment incentives, accelerated depreciation, etc. They also fail to recognise that while businesses in a particular country may be taxed on an annual basis it is the overall amount of tax imposed over a period of years which is important. A year by year comparison is bound to leave the taxpayer in the worst of all possible worlds.

Until something is done to provide for averaging overseas taxes and carrying forward or back surplus foreign tax for double taxation relief purposes the present rules for the taxation of foreign income should not be changed.

In his letter to you (October 15), Malcolm Gammie suggested that the Revenue and Ministers should look hard at the questions of principle involved in extending the UK's taxing arm. I agree. The main question is "Should the UK Revenue have the right to tax income of foreign companies properly earned abroad and taxed under foreign regimes, before that income is remitted to the UK in the form of dividends?" It has not been addressed or answered. If all countries follow the new UK approach then the burden on the trading profits earned by any group operating via subsidiary companies outside its own territory will increase substantially with considerable effects on international trade. Is this what the Government wants or, indeed, the country needs?

Treasury Ministers are currently considering whether or not the Revenue proposals—in whole or in part—should be accepted. There is a real danger that some inappropriate action will be taken simply to satisfy Revenue pride. In my view the various topics should properly be considered as part of the Green Paper on corporation tax and it would be a great pity if the Government were to give way to "political" pressures without properly integrating the total picture.

Hugh Roe,
Kelsall House,
Bagshot Road,
Sunninghill,
Berks.

The unemployment trap and redistributive benefits

From the Director, Child Poverty Action Group

Sir,—It is not often that the Child Poverty Action Group agrees with Whitehall but in the case of the unemployment trap, it is right to be sceptical of exaggerated claims of the trap's breadth based on theoretical calculations (Leader, November 1). These calculations are only as good as the assumptions upon which they are based. The same applies to Mrs Hermione Parker's latest estimate which, far from demonstrating "persuasively" that large numbers are as well off out of work as in it, simply assumes that all adults of working age living on low incomes can be said to be at risk from the unemployment or poverty trap. Such a definition is so broad as to be meaningless and does an unintended disservice to the unemployed by adding fuel to the fire of those who would like to cut their social security benefits further.

As you rightly imply, this is no answer given that the benefits paid to the unemployed are already so low and in need of improvement. That is not to say that Mrs Parker's analysis and your leader do not raise some important policy issues. And whatever the merits of the different long-term strategies you identified, they are issues of relevance to the next Budget.

As the call for an increase in tax allowances by more than inflation becomes louder each day, Samuel Brittan's arguments (October 14) in favour of giving higher priority to child benefit should be borne in mind. Not only is child benefit the key to tackling the poverty and unemployment traps, as he suggested, but also it is the only way that the redistribution of resources from those with children to the childless, which has taken place in the tax system over the past two decades, can be reversed. A transfer of resources from the married man's tax allowance into child benefit, which he advocates would help to reverse that trend. It would also be a more discriminating use of resources than would the introduction of transferable tax allowances (Letters, October 21) which would provide help to all one-earner couples regardless of why one partner was at home.

It should be remembered that child benefits are more redistributive to the low paid than personal tax allowances, which provide most help to the higher rate taxpayer, and that if the aim is to help increase demand within the economy, then child benefit, which is spent quickly by many mothers as part of the weekly house-keeping, has a role to play. All these factors mean that any increase in personal tax allowances must at the very least be matched by a commensurate increase in child benefit.

Ruth Lister,
1, Macklin Street, WC2.

Instruments of futures finance

From Mr S. Mulji

Sir,—The recent controversy (October 30) about the American Government National Mortgage Association T-Bond spread has led to a series of expert comments which on the face of it seem to be inaccurate.

While one cannot doubt the wisdom of Salomon Brothers, its statement that "there has been a basic technical change in the GNMA market place. The futures market has got out of whack with the cash market" (October 16) is at best irrelevant and possibly misleading.

The crucial point is that the futures GNMA contract in Chicago is not a GNMA contract but a contract for GNMA-CDR or a collateralised deposit receipt for which the underlying security is a pool of GNMAs. There is no well defined cash market for the CDR so it is a little difficult to know how it could get out of whack with the futures market.

To think of the CDR as a simple substitute for the GNMA may be a dangerous error: for as the Chicago Board of Trade booklet points out the CDR can take on a life of its own just as any other financial instrument. Moreover it just might turn out to be a particularly attractive instrument.

For what the CDR offers is an interest rate of $635 per month—which at today's prices works out to an interest rate of 11.25 per cent per annum, combined with right to obtain GNMAs worth the contract value at the time of surrender. The obvious strategy then must be to continue to hold the CDRs until interest rates stabilise and then surrender them. Why this particular game plan has not been exploited by institutions is not very clear.

It is interesting to speculate where the cash price of the CDR would be if such a market did exist. Clearly the CDR provides a higher rate of interest than either the T-Bill or T-Bond; further it provides an option to the buyer to choose the period when he can cash it for GNMAs. At present the GNMA is a dangerous financial instrument to hold because of the possibility that it may be prepaid, but once the high coupon GNMAs have been prepaid the risk will be considerably reduced. One would therefore conclude the GNMA CDR should trade somewhere between the bill and the bond price; the fact that it does not may only reflect the poverty of the CDR market and the complications of the GNMA.

Sudhir J. Mulji.
Great Eastern Shipping Co.,
Abford House,
15 Wilton Road, SW1.

Investing in your own forest

From Mr J. Osborne

Sir,—The article by Mary Ann Sieghart (October 30) made interesting and informative reading, but the idea that "you will need at least £170,000 before tax" before you buy and maintain a forest is entirely misleading.

The vast majority of commercial woodland owners in the UK would not have invested in forestry were it necessary to possess such large amounts of capital. While the accountant you quote may have been right that woodland was not for someone with under £15,000 in their pocket, a considerable number of small commercial woodland owners have investments of between £25,000 and £50,000, and these are extremely viable units and an excellent form of investment. In fact anybody who did have £170,000 to invest in forestry would have to wait a considerable period of time before finding enough high yielding forests in which to invest these sorts of sums.

The private individual who is looking to forestry for long term capital appreciation and income growth, as opposed to the investor looking for tax relief, would do well to consider a small portfolio of high yielding woods, rather than trying to invest in one 250 acre plantation. There are very few potentially high yielding forests of 250 acres or above offered for sale each year. The expected world shortage of timber means that we need a substantial number of private individuals willing to invest in this attractive and high yielding form of investment.

J. M. Osborne.
Woosnam and Tyler.
Dolgarreg,
North Road,
Builth Wells, Powys

British Aluminium and Alcan

From the Managing Director, Sky Metals

Sir,—We are deeply worried at the situation likely to arise from the British Aluminium/Alcan merger.

There will be no British source of clad aluminium aircraft sheet for at least two years even if the plant is re-located at Rogerstone. Rationalisation means less supply outlets which has never, in our experience, improved either stocks or service. Further expansion by mills based in France and the U.S. which could result in British Aerospace being uncompetitive in international markets—50 per cent of aircraft sheet used in the UK is made in France. The British source will have an absolute monopoly on some products.

We are appalled at the foreign penetration of the British aerospace industry and there are strategic and commercial reasons for stopping foreign suppliers getting more of the UK market. Our defence requirements must not be under the control of a foreign power, even if they are friendly (sometimes) by merely raising the price of aircraft sheet the Americans and French could kill off the production of aircraft in this country.

The solution to the problem is for the Ministry of Defence to take over the running of the British Aluminium factory at Falkirk, it would also ensure that the technical knowhow that produced the material for Concorde was not lost and keep several thousand skilled people from the dole queue.

John Isaacs,
Skymetals,
13, North Orbital Trading Estate,
St Albans, Herts.

Employment in Brixton

From Councillor R. Timmis

Sir,—The recent disturbances in Brixton were accurately and comprehensively described by Lisa Wood and Ian Hargreaves (November 3). They also pointed out that only white building workers were reconstructing Railton Road. Why?

In the Borough of Lambeth, we have about 3,000 school leavers per year. Those unemployed and under 19 number 2,000. Yet there are only 250 apprenticeships. That is the scale of opportunity to Brixton's unemployed.

Lambeth Council runs a scheme of grants to local employers who take on apprentices, but despite mailshots and advertising, less than half of the £70,000 allocated for this year has been taken up.

Much of this borough has decayed and cries out for renovation and rebuilding, while vast human resources stay idle on the streets. Yet, with the scale of apprenticeships currently available, those people will be idle even when reconstruction takes place.

The building industry has always been quick to cut down on apprenticeships in times of recession and ill prepared for times of recovery; but it is not only the fault of the industry. If there were better co-ordination between it and the Government, the ultimate funder of so much inner city building, we could do a lot to save young people from the trap of being unskilled and long-term unemployed.

(Cllr.) Richard Timmis
Lambeth Borough Council,
Members' Room,
Town Hall,
Brixton, SW2.

Window on the world

From Mr G. Lamb

Sir,—Having read of some of the characters engaged to take part in breakfast TV, I have decided to continue to read your excellent paper instead, while eating my toast and marmalade.

Should the programmes "catch on" however, would you consider providing a 2in square aperture through the centre of each page to enable my left eye to read the narrative, and my right to eye the box?

Even the young gentlemen on the train would be pleased, as they could then discreetly eye the blond sitting opposite.

Gordon D. J. Lamb
57 West Hill Road
Luton, Beds

Ireland's election

The gathering debt crisis

By Brendan Keenan in Dublin

IT IS, perhaps, a measure of the seriousness of the crisis facing the Irish economy that the outgoing Government, led by Mr Charles Haughey, is campaigning in the current election on a policy which, if implemented, would cut 3 per cent off national income next year.

Not to be outdone, the main opposition party, led by Dr Garret FitzGerald, says the Government's programme is too vague. It has pledged itself to wiping out the current budget deficit—now running at an annual I£1,200m (£960m), or 8 per cent of Gross National Product (GNP)—over the next four years.

The sight of politicians doing what comes unnaturally reflects the threat which the current economic situation poses for the Republic. The next 18 months could well decide whether Ireland remains a prosperous, paid-up member of the European family, or slides into a spiral of debt usually associated with Third World or Eastern Bloc countries.

The country's debt, and the Government and trade deficits which continue to add to it, are going to dominate the election campaign which is now getting under way.

The crisis had its origins in the late 1970s. Despite the onset of international recession, the Irish Government presided over an enormous increase in public spending.

Spending rose in real terms at rates which far outstripped the modest GNP growth rate and the difference had to be met by borrowing.

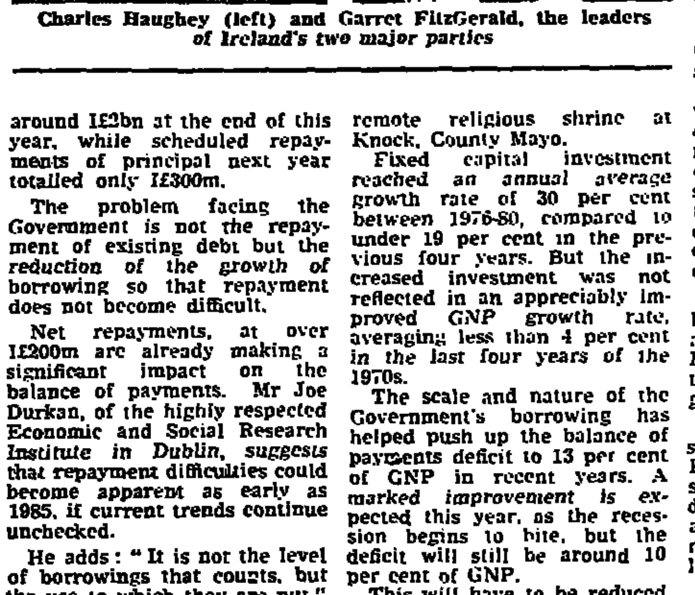
The number of public sector workers has risen by 32,000 to 260,000 since 1978 and their pay has gone up by an annual average of 24 per cent.

The total public borrowing this year will be over 20 per cent of GNP. This compares, for example, with figures of 14 per cent for Italy or 5 per cent for the UK.

By the end of this year the Irish Government's total debt will be over I£11.5bn. Some I£5bn of this will be foreign debt — mostly in dollars and D-marks — representing a per capita debt of almost I£1,500, higher than that of Poland or Mexico.

Mr Maurice Doyle, secretary of the Irish Department of Finance, wrote to the Times newspaper last month to rebut an article which cast doubts on Ireland's credit rating and its ability to repay its debts. He said there was no immediate threat to either, and pointed out that it was therefore misleading to draw comparisons with Poland and Mexico, which are having repayment troubles.

Mr Doyle said that Ireland's external reserves would be around I£2bn at the end of this year, while scheduled repayments of principal next year totalled only I£300m.



Charles Haughey (left) and Garret FitzGerald, the leaders of Ireland's two major parties

The problem facing the Government is not the repayment of existing debt but the reduction of the growth of borrowing so that repayment does not become difficult.

Net repayments, at over I£200m are already making a significant impact on the balance of payments. Mr Joe Durkan, of the highly respected Economic and Social Research Institute in Dublin, suggests that repayment difficulties could become apparent as early as 1985, if current trends continue unchecked.

He adds: "It is not the level of borrowings that counts, but the use to which they are put." He points out that South Korea has external borrowings of over 20 per cent of GNP, compared with Ireland's estimated 9 per cent this year. Korean borrowing has largely been used for productive investment, whereas much of Irish borrowing over the past five years has been for consumption.

Examples of capital projects which are not expected to show a return on the money invested include the electrification of the Dublin suburban rail line and the highly controversial airport being built near a remote religious shrine at Knock, County Mayo.

Fixed capital investment reached an annual average growth rate of 30 per cent between 1976-80, compared to under 19 per cent in the previous four years. But the increased investment was not reflected in an appreciably improved GNP growth rate, averaging less than 4 per cent in the last four years of the 1970s.

The scale and nature of the Government's borrowing has helped push up the balance of payments deficit to 13 per cent of GNP in recent years. A marked improvement is expected this year, as the recession begins to bite, but the deficit will still be around 10 per cent of GNP.

This will have to be reduced further, which puts a question-mark over Ireland's ability to take full advantage of any general economic upturn, since this would suck in extra imports of raw materials.

The traditional resilience of the Irish economy, and its past ability to turn around quickly, may have been a factor in the politicians' decision to allow the debts to mount. But a key element was their fear of the consequences of mounting unemployment.

Employment has to grow by about 1.5 per cent a year to cope with the 17,000 new workers coming on to the labour market and the 3,000 jobs being shed by agriculture. Unemployment now stands at 170,000 — about 14 per cent of the workforce.

Now that Mr Haughey has been converted from his view that there is no serious problem, the two main parties are agreed on a central policy of substantial spending cuts and pay restraint in the public sector.

Mr Haughey's Fianna Fail in its policy document The Way Forward, advocates an incomes policy which would keep Irish pay rises 3 to 4 per cent below those of its major competitors. It also calls for a reduction of 4,000 in the number of public servants and cutbacks in areas like health, education and social welfare.

The main opposition Fine Gael proposes a change in the system of public sector pay bargaining, so that all increases, whether basic or special, would come within a ceiling determined by the state of the economy. It too envisages a substantial reduction in spending, although Dr FitzGerald has criticised specific government cuts from the freedom of the opposition benches.

The question is whether cutbacks on this scale can be accomplished, given that the Irish have become used to more than a decade of economic growth.

The smaller socialist parties, such as the Labour and Workers' Party, will find it difficult to support the Government of the day yet these parties will probably hold the balance in the next Dail, as they did in the last.

Only an alliance between the two major parties, Fianna Fail and Fine Gael, may be able to push through the necessary austerity measures.

FINANCIAL TIMES
Tuesday November 9 1982

Metin Munir in Ankara analyses the constitutional referendum

Evren consolidates his hold on Turkey

ELECTORS in Turkey have voted overwhelmingly in favour of the new constitution written by the military Government, which installs Gen Kenan Evren, the Chief of Staff, as president for seven years.

With more than three quarters of the votes in Sunday's referendum counted late yesterday, the ballot was more than 90 per cent in favour of the constitution, which establishes an authoritarian presidential system.

Support for the document and its 16 "temporary articles" surpassed even the expectations of the generals, who have been ruling Turkey since they seized power in September, 1980, and of their most fervent supporters.

Some observers maintained, however, that the referendum was not democratic because the country was under martial law and the regime's opponents were not allowed to campaign.

The military did not allow anyone to challenge Gen Evren's bid for the presidency. There were also rumours that it put pressure on rural voters – who account for 60 per cent of the country's 45m people and live in isolated settlements – to support the constitution. No evidence has been produced for these rumours.

Indeed, Gen Evren was the only person to campaign – one cartoonist depicted him as a footballer scoring a goal against a goalkeeper tied to the post. The Government's propaganda machine was mobilised to help him. *The state-controlled* Turkish Radio and TV Corporation, on which most people depend for their information, barred all opposition comment.

But despite this distortion support for the constitution was surprisingly even – it was as strong in the villages as in the cities where observers did not see intimidation or pressure. The majority of voters seem to have transcended their social, economic, religious, ethnic and political differences to unite behind the constitution and Gen Evren.

"Even if you calculate that 20 per cent of the votes were faudulent – and I haven't heard anything to suggest that they were – you are still left with more than 70 per cent, which is hefty enough," said a western diplomat who reports for the Council of Europe.

The constitution – Turkey's third since the Republic was declared in 1923 – will come into effect after official results are published, probably tomorrow.

Gen Evren and the five-member *National Security Council will* continue to run the country with sweeping powers until general elections are held, however.

These are scheduled to take place next autumn or in spring, 1984. Politics will remain banned until a new political parties law is written.

Gen Evren will be President – he is now Head of State – Chief of Staff and Chairman of the National Security Council. After the elections the four other generals in the council will form the "presidential council" and continue to help Gen Evren rule. The one-house parliament and the Cabinet will have limited powers. The President's powers, on the other hand, have been expanded.

He is empowered to dissolve parliament and call elections in the case of a government crisis, and submit constitutional amendments to referendum. He will appoint the Prime Minister and "accept his resignation." He will be able to call Cabinet meetings and chair them "whenever he deems necessary."

The authority for declaring a state of emergency or martial law and ruling by decree will belong to the Cabinet sitting under the President. He is also empowered to make senior appointments in the army and in universities.

The new constitution curbs basic rights and freedoms and has clipped the wings of trade unions, universities and the press.

With its publication some 100 leaders of the dissolved pre-coup parties will be barred from politics for 10 years. Among them are former premiers Suleyman Demirel and Bulent Ecevit, neither of whom was available for comment yesterday. The constitution received 92 per cent acceptance votes in their former constituencies.

It is not yet known how the military leadership will interpret or exploit its success in the referendum. Some commentators suggest that Gen Evren will now back a new political party in order to create a power base for himself in the new parliament.

This would safeguard the constitution and enable him to run the country with less opposition. There is also a suggestion that he might adopt a tougher stance against the Left, while pressing ahead with the economic austerity programme.

The vote for the constitution has been interpreted by some seasoned observers of the Turkish scene as an encouragement to Gen Evren to expedite the restoration of democratic rule.

It does not indicate widespread contentment with his economic policies or with the repressive military regime.

THE LEX COLUMN

Sir Geoffrey opts for conservatism

The UK Chancellor is likely to win more friends in the gilt-edged market than he will around the equity pitches with his cautious autumn statement.

The £350m which the Chancellor calculates is being handed to industry in the current fiscal year through the drawing forward of a further half point cut in the National Insurance Surcharge will hardly compensate the equity market for what would be a restrictive spending programme even in a non-election year.

Furthermore, nothing was said yesterday to dispel the notion that the budget proper will be designed to stimulate demand through changes in personal tax allowances rather than more direct help to industry. The forecast that sterling's exchange rate will remain roughly constant may reinforce fears that this extra demand will be met to a great extent through imports.

Taken at its face value, the statement also carries some unsettling short-term implications for gilt-edged. Even allowing for the hand-back to the private sector, the current year forecast of a public sector borrowing requirement (PSBR) totalling £9bn looks very much on the high side. Almost certainly, however, the Chancellor has allowed for a higher level of local authority *spending than will materialise*, so an actual figure in the area of £8bn still looks on the cards.

The emphasis on holding down monetary aggregates may also ring a little hollow, particularly ahead of today's banking figures which are likely to show rapid growth in sterling M3 because of the STC offer for sale.

The gilt-edged market can therefore be expected to look beyond the *current year forecasts to an encouraging* 1983/4 PSBR of £8bn, struck after a fiscal adjustment of £1bn.

Slicing £2.5bn out of next year's contingency reserve may not leave the Chancellor with much room for *manoeuvre if spending starts to overshoot*, but the rapid reduction in public sector wage inflation probably makes a wide margin of error unnecessary. And the Government now has a slightly greater ability to fine-tune the debt servicing element of overall expenditure through its access to the index-linked as well as the conventional market.

In one area, at least, a little more boldness might have been expected from the Chancellor. His assumption that North Sea oil prices will not change much in 1983 is hardly an encouraging curtain-raiser to the Britoil flotation.

Lucas

If the UK Chancellor needed any further evidence of the *despondency in Britain's industrial heartland*, Lucas provided it yesterday with a 22 per cent dividend cut for the year to July. Last year's payment, maintained despite the pre-tax loss of £21.4m, reflected hopes of a big market upswing when the company could reap the benefits of its expensive redundancy programme. In the event, Lucas has made £20.2m pre-tax, against a target of around £50m, and the dividend is pointing to nothing more than a modest improvement this year.

The bad news is concentrated mainly in the UK, and particularly in the motor components business. Despite the draconian cuts made on the vehicle equipment activities, *they are still losing money heavily*. While unit costs have come down, volume has slipped, and – worse still – the vehicle manufacturers are tightening the noose on prices. Even the replacement equipment side, which usually does better when the new car market falls, is flat.

The strains of this squeeze are visible in Lucas's balance sheet, with a £15m rise to £178m in short-term borrowings, and an increase in gearing from around 42 per cent to 46 per cent. Admittedly about half the cash outflow was the result of a new U.S. acquisition, but Lucas has been unable to fund its £15m of redundancies internally, and has also had to dip into reserves to pay the reduced dividend.

In the current year it should be able to generate more cash on the trading side from improved throughput in the aerospace division, while lower interest rates ought to reduce last year's £27.5m charge substantially. Both with yesterday's Government measures *likely to have a minimal effect on* demand, the threat of a further shrinkage of the components division still hangs over Lucas. It is no surprise that the shares fell 18p yesterday to 130p, where the yield is just short of 10 per cent.

Glaxo

Glaxo's arrangement to co-promote its new anti-ulcer drug Zantac in the U.S. with Hoffman-La Roche marks a major step in the company's growth strategy. The deal will pull forward returns from Zantac, but more importantly it will give Glaxo a stepping stone on which to build a creditable sales force in the difficult U.S. market.

With a U.S. sales force of 400, Glaxo of the UK would have risked flopping with Zantac if it had tried to go it alone. And though the margins would have been lush, the *market share would, at best, have built* up slowly. The shortening horizon of patent protection made this option unattractive. Moreover, Zantac is only the second drug in the field, after Smith Kline's Tagamet, and it would be a major advantage to establish a healthy market share while other potential rivals still wait in the wings.

British pharmaceutical companies have enjoyed less benefit than they might have done from licensing deals in the U.S. By contrast, the La Roche arrangement adds on a marketing force of 800 while retaining the Glaxo brand name, creating a combined operation that matches the U.S. majors. For La Roche, Zantac offers a new product when its own Librium and Valium lines have peaked. If the co-promotion works – and it has not been tried before – Zantac *may win a significant share of the $450m anti-ulcer market. The share price*, which has been strong over the past fortnight on the expectation of a deal, rose 12½p to £11.87½p.

Paris deal on social security in balance

By David White in Paris

A HARD-WON COMPROMISE on the financing of France's unemployment system has been called back into question because of employers' dissatisfaction over compensatory *measures proposed by the Government*.

The CNPF employers' association has called a meeting for tomorrow to redefine its policy. It pulled out of talks that were due to take place yesterday on reducing the cost of the dole system.

It has up to the end of the month to decide whether to pull out of the 24-year-old arrangement with unions. This would mean starting a completely new system.

M Pierre Mauroy

Last week, a protocol agreement was signed with the Government, raising employers' contributions to the dole fund by 0.72 percentage points to 3.48 per cent of salaries, and employees' contributions by 0.48 points to 1.32 per cent.

The cost to companies is put at FFr 7bn, nearly $1bn. Relief measures put forward immediately afterwards by M Pierre Mauroy, the Prime Minister, including subsidies on debt contracted at high interest rates and the phasing-out of company contributions to family benefits, failed to satisfy the employers.

The cancellation of yesterday's meeting, the first of a series aimed at bridging a remaining gap of *FFr* 10bn ($1.4bn) or so in the system next year, brought a sharp reaction from unions. M Edmond Maire, head of the left-wing CFDT, said yesterday that the unions were *prepared, if need be, to run the system* on their own, without the CNPF.

M Mauroy's attempt at a balancing act has drawn criticism from both ends of the political spectrum. Signs of discomfort have emerged on the Left, and particularly in the Communist Party, over the concessions being offered to employers at a time when workers' living standards are threatened.

The Socialist Party has tried to smooth over the impact of an outspoken *statement by M Andre Laig*nel, a member of its national secretariat, accusing the Government of "going the wrong way."

EEC seeks trade concessions from Third World countries

BY BRIJ KHINDARIA IN GENEVA

THE EEC yesterday demanded that Third World countries active in world trade give more access to western products and surrender *some of the concessions they enjoyed* when they were more backward.

The demand was contained in a list of measures which the EEC hopes will emerge from the ministerial conference of the General Agreement on Tariffs and Trade (Gatt) to be held in Geneva later this month.

The list was delivered yesterday to an 18 country strong group negotiating the text of a planned policy declaration by trade ministers from Gatt's members – the contracting parties – who meet on November 24-26 in Geneva.

The Community also made clear that it would not be able to sign a ministerial document which did not *address itself to what it saw as the* key issues. It described the current draft as a "ragbag of unreachable objectives" which lacked "vision, direction and depth."

The statement, the strongest so far in the year-old negotiations, *reflected a hardening of the Community's attitude*. This was partly in response to French objections, voiced at the latest EEC Council of Ministers in Luxembourg, to offering more trade concessions to developing countries. *The EEC's position differs substantially from that* of the U.S. and of developing countries.

The Community is insisting on the need for more concessions from developing countries which refuse to discuss the erosion of their rights to especially favourable treatment on trade.

It maintained that Gatt would "not survive if every member continues to enjoy all the benefits and *refuse any of the burdens*."

It emphasised the need for closer co-ordination between measures to liberalise world trade and work by the International Monetary Fund to reduce the size of exchange rate fluctuations and increase the investment funds needed to fuel economic recovery.

The Community wants ministers to pledge that they will resist protectionist measures, avoid new measures distorting trade, and ensure that national trade policies conform to Gatt requirements. Trade curbs based on nationalistic interpretations of Gatt rules not agreed to by other countries should also be avoided, says the EEC.

Notably absent from the latest statement of Community aims were earlier references to the need for a new agreement governing safeguard measures taken by industrialised countries to restict low cost *imports. Achieving such an accord* is a major Third World demand at the ministerial conference.

Argentina and BIS in $750m loan talks

By Peter Montagnon in Basle

ARGENTINA yesterday began serious talks with the Bank for International Settlements (BIS) for a $750m bridging loan to tide it over until International Monetary Fund money becomes available.

The start-up of the talks was made possible by agreement over the weekend with British clearing banks, settling differences over $440m of debt left unpaid during the financial sanctions imposed after the Argentine seizure of the Falkland Islands on April 2.

A full normalisation of relations with British banks was an essential prerequisite for talks on the BIS credit as well as for a $1.1bn bridg*ing loan which Argentina is also* seeking from the commercial banks.

British bankers in London yesterday confirmed reports from central bankers here that leading UK clearing banks and Argentine central bank governor Julio Gonzalez del Solar initialled an agreement in New York over the weekend, whereby debts outstanding from the sanctions period would be rolled over for six months from the date on which they fell due. The text of the agreement has been accepted by the Government in Buenos Aires, British bankers said.

The rolled over debt will be subject to a margin over London Euro*dollar rates*.

Argentina's intention to apply to the BIS for a credit has been well known for several weeks, but there was no chance of any serious talks beginning before differences with British banks had been settled. It is still thought unlikely that the Bank of England will participate in any central banking credit to Argentina.

A further condition for the Bank for International Settlement's loan will be firm evidence of progress on negotiations with the International Monetary Fund.

IMF expected to accelerate rise in quota subscriptions

BY OUR EUROMARKETS CORRESPONDENT

THE International Monetary Fund is set to accelerate its negotiations for quota subscriptions increases, in order to allow it to step up its lending to countries with balance of *payments difficulties*.

Fund member countries have already agreed to bring final discussion on the size of the greater increases forward from next September to next April.

Now, according to central bank governors in Basle for the monthly meeting of the Bank for International Settlements, there is a strong probability that final agreement on a quota increase of between 50 and 60 per cent will be reached at a special meeting of the key IMF interim committee early in the New Year.

The governors stressed that firm plans for such a meeting have not yet been laid, but agreement between member countries on the size of the quota increases has *come much closer during informal* discussions since the annual meeting in Toronto in September.

A quota increase of between 50 and 60 per cent would bring the IMF's total subscription quotas in to (Special Drawing Rights) SDR 90bn–100bn. It would still have to be ratified individually by member governments through their parliaments.

This is normally a time-consuming business, but the central bankers said that a definitive agreement on the size of the increases would have a beneficial psychological effect on the international banking system, if it came sooner than expected.

Consideration of a special emergency fund to help countries encountering sudden balance-of-payments problems is proceeding hand-in-hand with talks on the quota increase. This fund was proposed by the U.S. in the wake of the Mexi*can debt crisis*.

European central bankers, some of whom were initially sceptical about the proposal, now say that the size of such a fund would depend on the final size of the quota increases. But it could range between SDR 10bn and SDR20bn.

Howe's £1bn cash boost for private industry

Continued from Page 1

generally tight approach to financial discipline, Sir Geoffrey also announced that employers' and employees' national insurance contributions are to be increased by ¼ percentage point next year. This is the equivalent of a quarter-point increase in income tax for employees and effectively reduces the relief from the employers' surcharge to ¾ per cent next year.

The Government will today give manufacturing industry an extra bonus approaching £150m, on top of yesterday's measures, when it announces the ending of a four-month moratorium on the payment of re*gional development grants*.

The moratorium was introduced in June 1979 to help the Government balance its books after the general election by cutting some £145m immediately from its 1979–80 public spending plans.

As a result, grants of 15 to 22 per cent on investments in plant and buildings in assisted areas, which totalled £616m in 1981-82, are paid four months after they fall due.

The news will please the Confederation of British Industry, the country's employers' federation. Sir Terence Beckett, its director general last night described the Chancellor's statement as "imaginative." CBI leaders would have liked to see the national insurance surcharge abolished, but now believe that this *will happen in next spring's budget*, following the cuts announced yesterday.

The Association of British Chambers of Commerce was critical, saying he "still has miles to go."

The CBI said industry would save £900m in business costs in the 17 *months to April 1984, and the Insti*tute of Directors said that "the needs of the wide spectrum of business opinion" had been met with "moderate reductions" in the surcharge which left room for tax reductions.

Mr Len Murray, general secretary of the Trades Union Congress, said the statement was "disappointingly bad news for industry and bad news for Britain." The measures would not stop unemployment rising.

After a private meeting of the Conservative backbench finance committee with Sir Geoffrey last night, some MPs concluded that the Treasury had been deliberately cautious in its estimate of a "fiscal adjustment" (lower taxes or higher public spending) of only £1bn in 1983/84.

MPs noted that this estimate was based on conventional assumptions about taxes, expenditure and public sector borrowing of £8bn next year, and that the actual figure could be different in the budget. MPs suspect Treasury ministers want to play down expectations at this stage.

*On the basis of the March bor*rowing projection, Sir Geoffrey might expect to have £1.5bn to give away in the next budget.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	26	79	Dubrovnik	S	16	61	Malaga	C	17	63	Salzburg	C	20	68
Akrotiri	C	15	59	Faro	F	18	64	Malta	F	20	68	Seoul	C	16	61
Algiers	S	23	73	Florence	C	14	57	Manila	S	32	90	Singapore	R	30	86
Amsterdam	C	8	48	Frankfurt	R	9	48	Miami	C	26	79	Stockholm	F	5	41
Athens	F	11	52	Funchal	F	19	66	Milan	R	4	39	Strasbourg	C	10	50
Bahrain	C	26	79	Geneva	C	8	46	Moscow	C	-3	27	Sydney	C	22	72
Bangkok	S	33	91	Gibraltar	R	17	63	Munich	F	15	59	Taipei	C	28	82
Barcelona	C	18	64	Guernsey	F	13	55	Nairobi	—	—	—	Tangier	R	15	59
Beirut	R	15	59	Helsinki	F	6	43	Naples	F	16	61	Tehran	—	—	—
Belgrade	S	10	50	H. Kong	R	25	77	New Delhi	S	30	86	Tel Aviv	C	21	70
Berlin	F	8	48	Innsbruck	C	13	55	New York	F	11	52	Tenerife	C	22	72
Biarritz	R	15	59	Inverness	F	11	52	Nice	R	16	61	Tokyo	C	20	68
Blackpool	R	12	54	Istanbul	C	9	48	Oporto	R	13	55	Toronto	F	13	55
Bordeaux	F	15	59	Jersey	C	14	57	Oslo	F	3	37	Tunis	F	24	75
Brussels	F	12	54	Jo'burg	S	26	79	Paris	C	20	68	Valencia	F	19	66
Budapest	—	—	—	Las Palmas	C	21	70	Prague	F	5	41	Venice	C	7	45
B. Aires	R	19	66	Lima	C	21	70	Reykjavik	R	3	37	Vienna	F	4	39
Cairo	R	24	75	Lisbon	R	16	61	Rio de J'o	C	34	93	Warsaw	S	6	43
Cape Town	—	—	—	Locarno	R	2	36	Rome	F	13	55	Zurich	C	20	68
Caracas	C	28	82	London	R	14	57								
Casablanca	C	18	64	Los Angeles	R	19	66								
Copenhagen	F	7	45	Luxembourg	C	9	48								
Corfu	S	17	63	Madrid	R	14	57								
Dublin	C	13	55	Majorca	R	19	66								

Readings at mid-day yesterday:

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Airlines plan further fare increases

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT, IN GENEVA

WORLDWIDE increases in air *fares averaging 7 to 10 per cent* are being considered by the member airlines of the International Air Transport Association (Iata) for introduction by the spring of next year.

They will be additional to the rises of between 2 and 7 per cent already introduced this autumn, in a bid to stem the air transport industry's soaring losses.

These losses are now forecast to amount to at least $2bn this year, and to reach $2.3bn in 1983 with a further loss of $1.4bn in 1984.

Mr Knut Hammarskjold, director general of Iata, told the annual meeting of the association in Geneva yesterday that the anticipated investment needed to replace ageing jet fleets during the 1980s, as well as for other improvements to the air transport system, would amount to over $100bn.

This would require profits of several billion dollars a year through the decade, but these were not materialising.

The *association's financial com*mittee repeated this theme in its own report to the meeting.

There will now be a series of major fares-fixing meetings for various parts of the world, with a meeting to cover the north Atlantic route likely to be held in Geneva from next Tuesday. The fare rises sought will vary widely throughout the world, with rises of up to as much as 14 per cent in some areas, but with an average of about 7 to 10 per cent. It may take several weeks before these meetings reach conclusions, but it already appears inevitable that at some time between January 1 and April 1 fares in most parts of the world will go up again.

Why some airlines may perish, Page 11

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SECTION II - COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday November 9 1982

Pepsico sacks managers over falsified accounts

BY PAUL TAYLOR IN NEW YORK

PEPSICO, the U.S. soft-drinks manufacturer, revealed yesterday that it had sacked a senior U.S. executive and a number of its overseas managers after an internal audit showed an $85m overstatement of pre-tax profits over the last few years.

The company said it had launched an investigation after employees in company-owned bottling plants in Mexico and the Philippines drew attention to "accounting irregularities" at the beginning of last month.

As a result of the investigation, the company sacked Mr Richard Ahern, a vice-president of Pepsico and president of United Beverages International, an overseas bottling operation that Pepsico owns, together with at least three executives of the company's bottling plants in Mexico and the Philippines.

The company said it did not appear that any of the money involved was used personally by the individuals or that the funds were diverted for illegal or improper use. The object, it seems, was "to improve the apparent performance of their operations."

Pepsico said most of the overstatements occurred at its Mexican and Philippines bottling plants, but it was continuing to investigate the possibility of further minor profit overstatements at some of its other overseas plants.

About 24 per cent of Pepsico's overseas soft-drink volume is generated by overseas bottling plants owned by the company, with the remainder coming from franchised operations.

The company said the two foreign units involved in the investigation accounted for less than 5 per cent of its 1981 pre-tax operating profit of $708.7m.

Record earnings for MCA

BY OUR NEW YORK STAFF

MCA, the U.S. leisure and entertainment company that owns Universal Studios, yesterday reported that third quarter earnings more than tripled to $73.97m or $3.10 a share compared with $20.57m or 86 cents a share in the same period last year. Revenues increased to $409.6m from $320.7m.

The third quarter results, the highest in the company's history, helped boost earnings in the first nine months to $136.85m or $5.73 a share compared with $75.66m or $3.17 a share on revenue up at $1.149bn against $990m in the first nine months last year.

Excluding the effects of extraordinary income, the nine month figures were also a record and exceeded the net income for any full year at MCA.

Mr Lew Wasserman, MCA chairman, said the exceptional results were largely attributable to the film E.T., which he said had earned the highest domestic revenues of any film in the company's history.

The chairman added that he expected the company to have a satisfactory third quarter.

MCA, based in California, earned the bulk of its profits last year — $72m out of a total of $90m — from its filmed entertainment division, largely comprised of Universal Studios, which is the leading producer of programmes for prime-time television and also a major factor in the production and distribution of films for the commercial cinema.

Eurodollar market retains strength

By Alan Friedman in London

THE EURODOLLAR bond market paused for breath in the new issue sector yesterday, but a strong underlying, bullish sentiment remains. Prices of fixed-interest bonds were marked ½ point lower by last night, and dealers said they expected a day or two of "consolidation."

Last week's convertible bond for Northern Telecom appears to be selling well despite a hefty conversion premium, while yesterday also saw a reasonably well-received $40m convertible issue for Japan's Olympus Optical.

The 15-year issue, which carries no investor redemption options, provides a 7 per cent coupon at par. Nomura Securities is lead-manager.

Australia is seeking Fl 220m in the domestic Dutch guilder bond market with a 15-year issue bearing a low 9 per cent coupon. The price is open. Amro Bank is lead-manager of the deal, Australia's first in this market since 1976 when it raised Fl 100m. The most recent domestic guilder coupon was 9½ per cent for ABN Bank.

In West Germany, prices of Euro D-Mark bonds were unchanged to slightly lower in quiet trading. A DM 150m five-year issue has been launched for Mitsubishi Heavy Industries. Deutsche Bank is leading the 7½ per cent bond offer, a coupon level seen last week for Bayer's private placement.

In Switzerland, prices of foreign bonds closed unchanged last night after a day of mixed trading. Sweden is raising SwFr 100m with a 10-year bond expected to yield 5¾ per cent.

Declining interest rates boost U.S. bank profits

BY OUR NEW YORK STAFF

MOST of the major U.S. banks reported improved earnings in the third quarter of this year, in spite of the liquidity problems of domestic borrowers and those of some of the less developed countries.

The sharp improvement in some bank's earnings over the third quarter of last year, and the second quarter of this year, reflected the decline in interest rates and bank funding costs, which enabled banks to earn higher net interest income from improved spreads.

For example J. P. Morgan, holding company for Morgan Guaranty, reported that the net yield difference between the average rate earned on interest earning assets and the average cost of funds improved from 2.22 per cent in the third quarter of 1981 to 2.78 in the latest period.

This implies that banks have been able to reduce their funding costs faster than they have reduced their lending rates to borrowers.

Banks such as Continental Illinois, which reported sharply lower earnings, demonstrated the continuing impact of business failures like that of Penn Square Bank. The Oklahoma City bank failed in July, having sold more than $2bn in energy loan participations, most of which were bought by upstream banks.

The relatively poor performance of the Californian banks reflects both the continuing weakness of the Californian property market and the banks' proportionately large overseas exposure, particularly to Mexico and other Latin American countries.

These patterns are also broadly reflected in the results of the 14,000 smaller regional banks in the U.S. However, in general terms, the smaller banks have been less able to take advantage of the lower cost of bank funds because they tend to be more dependent on longer term deposits.

This is also apparent in the major banks' provisions for loan losses. The industry average provision is about 1 per cent of total loans and leases, but several of the major money centre banks have felt it prudent to increase the provision to around 1.4 per cent during the last quarter.

This year, 29 commercial banks have failed in the U.S. Last week the latest two joined the list of casualties. Both were small regional banks overhelmed by problem loans which eventually led to loan losses greater than their capital base. Last year, 10 commercial banks failed. The previous record was 16 in 1976.

Bank regulators have warned that even with a pick-up in the U.S. domestic economy, the failure list may continue to grow. The regulators also warn that the quickening pace of bank deregulation in the U.S. could hasten the demise of some of the smaller banks as they are forced to compete more aggressively for funds and clients.

The other major factor which could dull bank earnings over the next few quarters is the continuing uncertainty over international lending.

Although most of the major money centre banks have emerged from the first phase of the liquidity crisis facing developing countries like Mexico in reasonable shape, the shadow, and some of the risks, remain.

The U.S. banks are particularly vulnerable to the possibility of major default. The nine major U.S. banks alone have about $22.28bn out in loans to Mexico and Brazil. That is more than their total equity or capital base. However, their foreign loan losses to date have been low.

For example, Citibank revealed recently that its overseas loan losses over the past decade averaged 0.29 per cent of its average loans compared to 0.65 per cent for domestic loans. In the first six months of this year, Citibank wrote off $85m or 0.51 per cent of its $33.42bn average domestic loans compared with $55m or 0.25 per cent of its average $43.66bn overseas loans.

U.S. BANK RESULTS: THIRD QUARTER

EARNINGS* (% change over 1981)		RETURN ON ASSETS (%)		RETURN ON EQUITY (% change over 1981)		LEVERAGE CAPITAL (% of assets)	
Citicorp	+38	J. P. Morgan	0.81	Bankers Trust	18.58	J. P. Morgan	5.52
J. P. Morgan	+45.2	Bankers Trust	0.72	Citicorp	18.10	Continental Illinois	5.18
Chemical	+35.3	Citicorp	0.68	Chase Manhattan	16.5	Chemical	5.16
Bankers Trust	+35	Chase Manhattan	0.63	Chemical	14.52	Man. Hanover	4.81
Manufacturers Hanover	+20.4	Chemical	0.61	Man. Hanover	14.52	Citicorp	4.39
Chase Manhattan	+7	Man. Hanover	0.57	BankAmerica	9.84	Chase Manhattan	4.23
BankAmerica	−14	BankAmerica	0.34	Continental Illinois	7.54	Bankers Trust	4.14
Continental Illinois	−52.9	Continental Illinois	0.26	J. P. Morgan	17.87	BankAmerica	4.03

* Before securities transactions

Sharp fall for unit of Canadian Pacific

By Robert Gibbens in Montreal

CANADIAN Pacific Enterprises, the resources and industrial products group controlled by Canadian Pacific, suffered a sharp fall in third quarter earnings from C$104.3m last year to C$9.1m (U.S.$7.5m) or from 74 cents a share to 6 cents.

For the first nine months, earnings were down from C$315.5m, or C$2.24 a share, to C$136.4m.

The main problems stemmed from the mining, metals, forest products and steel subsidiaries, all of which showed losses in the third quarter.

The group says fourth quarter earnings will show little if any improvement over the third quarter and will be below the C$89.1m earned in the last quarter of 1981.

The forest products division reported a third quarter loss of C$33.2m against earnings of C$6.9m a year ago. Iron and steel losses were C$26.3m compared with earnings of C$20.5m.

Oil and gas earnings rose from C$44.2m to C$51.1m, while financial operations brought in C$14.4m.

Noranda tax credit gain

By Our Financial Staff

NORANDA MINES, the Canadian metals, forest products and industrial group controlled by Brascan, expects an operating loss in the final quarter of this year of C$ 30m (U.S$ 24.5m), but will collect C$ 40m from the sale of U.S. tax credits.

Noranda's loss for the first nine months of this year was C$126m. For the whole of last year, there was a profit of C$164.6bn.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month. The following are closing prices for November 8.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aetna Life 15 86/97	150	108⅜	108⅞	−0⅛	0	11.73
Amax Int Fin 16¼ 92	75	106½	107	−0⅝	+0⅛	14.02
Amex O/S Fin 14¼ 89	75	106⅞	107⅜	−0⅝	−0⅛	12.52
Amro Bank 13 89	200	101⅝	102⅛	−0⅝	+1⅛	12.55
BHP Finance 14⅜ 89	150	105⅝	106⅛	0	+1½	13.26
Bk America NT & SA 12 87	200	101¾	102¼	−1¼	−0½	11.35
Bk Montreal 14½ 87	100	104¼	104¾	−0⅛	+1⅛	13.06
Bque Indo Suez 15 89	100	107	107½	+1	+1⅜	13.22
British Col Hyd 14⅞ 89	200	108⅛	108⅝	−0⅛	+0⅝	12.73
British Col Hyd 15¾ 92	150	112½	113	+0¼	+1⅜	12.94
Canada 14⅜ 87	750	109⅝	110⅛	−0⅝	+0⅜	11.41
Canadair Ltd 12½ 89	175	102	102½	−0¼	+0⅛	12.00
Can Pac Sec 14⅝ 92	75	106⅛	106⅝	−0⅛	+1⅜	13.34
Can Pac Sec 15 89	75	104½	105	−1⅜	+0⅛	13.93
Citicorp O/S 15 84/92	100	103⅝	104⅛	−0¼	+0⅛	11.75
Coca Cola Int 11¾ 89	100	103¾	104¼	−0⅜	+0½	10.86
Deutsche Bk Fin 14⅛ 89	300	106⅜	106⅞	−0⅛	+0⅞	12.70
Du Pont 14⅛ 89 WW	200	105¼	105¾	−0⅜	+0⅛	12.83
E.C.S.C. 14⅜ 87(A)	80	108⅛	108⅝	−0⅛	+1⅜	12.11
E.I.B. 15½ 92	100	108⅝	109⅛	−0⅝	0	13.72
Ekspertfinans 14½ 89	50	105½	106	−0½	+0⅝	13.08
Exp Dev Corp 11¾ 87	100	101½	102	—	—	11.27
Forsmarks 13¾ 92	75	102¼	102¾	−0⅜	+0⅜	13.27
Gen Elec Credit 12 89	100	104½	105	−0⅜	−0¼	10.97
Gen Elec Credit 0.0 93	400	33⅞	34⅜	+0⅛	+1¼	11.83
Getty Oil Int 14 89	125	105¾	106¼	−0⅝	+0⅛	12.54
GMAC O/S Fin 15¼ 85/87	100	104⅜	104⅞	−0⅜	−0½	12.70
GMAC O/S Fin 15 89	125	108¼	108¾	−0⅜	+0⅝	12.94
GMAC O/S Fin 15 87	100	107⅛	107⅝	−0¼	−0⅛	12.69
Gulf Canada Ltd 14¾ 92	100	107½	108	−0⅜	+0⅜	13.22
Gulf Oil Fin 12¼ 87	100	103¾	104¼	−0½	−0⅛	11.13
Gulf Oil 14¼ 94	175	103¾	104¼	−0⅜	0	13.50
IBM World Trade 12⅜ 92	200	105⅜	105⅞	−0⅜	−0⅛	11.18
Manitoba Prov 13¾ 88	100	105	105½	−0⅛	0	12.33
Manitoba Prov 11¾ 89	125	99¼	99¾	—	—	11.86
Nat West Fin 11¾ 92	150	99¾	100¼	−0⅜	+0¼	11.75
New Brunswick 15¼ 87	75	107⅛	107⅝	−0⅛	+1⅛	13.01
Nova Scotia Prv 15¼ 89	75†	108	108½	+0¼	+1⅜	13.28
Ontario Hydro 14⅞ 89	150	108⅝	109⅛	−0⅜	+0½	12.61
Ontario Hydro 12¾ 92	200	103¾	104¼	−0⅛	+1	12.03
Ontario Hydro 15 92	150	111⅛	111⅝	−0⅛	+1½	12.86
Pac Gas & Elec 15½ 89	45	109¾	110¼	−0⅜	+0⅝	13.06
Phillips Petrol 14 89	200	105⅛	105⅝	−0½	+0⅜	12.69
Prudential O/S 12¾ 87	150	104⅛	104⅝	−0⅜	−0⅛	11.49
R. J. Reynolds 12¾ 89	100	103⅛	103⅝	−0¾	−0¼	11.98
Saskatchewan Prov 15 92	150	108⅞	109⅜	−0⅛	+0¾	13.16
Shell Canada 14⅞ 92	125	108	108½	−0⅜	+1⅛	12.78
Superior O/S Fin 14 89	125	105½	106	−0¼	+0⅝	12.61
Swed Exp Credit 14⅜ 90	100	106	106½	−0⅜	+0⅜	13.33
Texas Eastern 15¾ 89	60	108¼	108¾	+0½	+1⅜	13.65
Walt Disney Pro 12½ 89	75	102½	103	−0⅜	+0½	11.82
World Bank 13⅝ 87	300	104½	105	−0½	+0⅝	11.90
World Bank 14¼ 87	500	107	107½	−0⅜	+0⅜	12.02
World Bank 15 87	250	109⅝	110⅛	−0½	+1⅛	12.02
World Bank 15 88	150	110¼	110¾	−0⅜	+1¼	12.30
Xerox Fin 14 87 WW	100	104⅛	104⅝	−0⅜	−0⅜	12.68

Av. price changes: on day −⅜, on week +⅝

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 8¼ 92 (AP)	150	100⅛	100⅝	+0⅜	−0⅛	9.17
Asian Dev Bank 9¼ 92 (AG)	150	100½	100⅞	−0⅜	−0⅛	9.18
Austria 8⅞ 92	100	99⅝	100⅜	0	−0⅛	8.96
Barclays O/S Inv 8⅞ 94	100	100⅛	100⅝	0	+0¼	8.83
Beecham Fin 8½ 92	125	99	99½	+0⅛	0	8.23
Black & Decker 9⅛ 88	100	103	103½	−0⅛	−0⅛	8.47
Bowater Int Fin 8½ 89	50	98⅞	99⅛	0	−0⅜	8.74
Caisse Nat Tele 9½ 92	100	102⅜	102⅞	+0¼	+0⅜	9.07
Cred Foncier 8¾ 92	100	100	100½	0	0	8.70
E.I.B. 8⅞ 92	100	100	100¾	−0⅛	+0⅛	8.80
[illegible]						

SWISS FRANC STRAIGHTS

[illegible]

YEN STRAIGHTS

[illegible]

OTHER STRAIGHTS

[illegible]

FLOATING RATE NOTES

[illegible]

CONVERTIBLE BONDS

[illegible]

* No information available—previous day's price.
† Only one market maker supplied a price.

[illegible]

Korean $300m credit shows firmer margins

By Our Euromarkets Staff

THE KOREAN Development Bank (KDB) is seeking $300m with an eight-year Eurocredit lead-managed by BankAmerica Asia. The two-tranche deal involves $200m at ⅜ per cent above the London inter-bank offered rate (Libor) and $100m at 20 basis points over the U.S. prime rate.

On the prime tranche, a certificate of deposit (CD) rate will be employed if the prime is more than 125 basis points over the 90-day CD level.

Among the other banks invited are Bankers Trust, Bank of Tokyo, Sumitomo Bank and Gulf International Bank.

The Korean credit is seen by bankers as indicating that margins are firming somewhat; Korean borrowers have recently won deals with a rate of ⅜ per cent over Libor.

The management fee on the KDB credit is believed to be ⅜ per cent on Libor tranche and ⅜ per cent on the prime portion.

Meanwhile in Europe, Lehman Brothers Kuhn Loeb said it had received a mandate from Italy's Ferrovie dello Stato to arrange a $200m credit over six years. Early indications are a rate of ⅜ per cent over prime.

From the Middle East comes word that Iraq is considering an attempt to raise money through a Eurocredit syndication. Bankers in London say they have been approached with preliminary proposals for a five-year deal of up to $500m. They add, however, that all talk is at an exploratory stage. "There are any number of obstacles to such a credit, not least the political ones," commented one banker.

Moscow seeks $110m to buy from Italy

By Our Euromarkets Staff

THE SOVIET Union's foreign trade bank, Vneshtorgbank, is raising $110m in the Euromarkets in a rare deal designed to finance imports from Italy.

The loan is being arranged by Finance for Exports, a Jersey-based company formed earlier this year by Italy's medium-term lending institute, IMI, and Soditic, the Geneva-based investment bank.

It takes the form of a revolving Euronote facility under which short-term paper will be sold continuously for five years.

The deal, which is now in syndication, involves a margin of 0.5 per cent over London Eurodollar rates and a front end fee of ⅛ per cent.

Italy's tyre giant links management control, reports **James Buxton**

Pirelli streamlines the boardroom

IN A DISCREET office building in a shady avenue in Basle, in Switzerland, as remote from the chaotic bustle of Milan as one could imagine, Pirelli has set up a unified company to co-ordinate group management.

Basle has been the headquarters since 1937 of Societe Internationale Pirelli (SIP), which was formed to manage some of the overseas operations of the Italian tyre and cable group, whose main base is in Milan, where it was founded in 1872.

SIP is vastly different to the other Pirelli parent company, Pirelli SpA in Milan, which concentrates on Italy and the EEC. SIP has large interests in Argentina, Brazil and Australia. In Europe it operates mainly outside the EEC, though it also, anomalously, has control of the Pirelli cable operations in Britain and France.

At the beginning of this year SIP was far more heavily involved in cables than its Italian counterpart—cables made up 63 per cent of its turnover, against 46 per cent for the group as a whole, and it had only a 2 per cent representation in diversified rubber products, against the group overall figure of 11 per cent. It accounted for a bigger share of group sales than Pirelli SpA, but had more debt.

The largest single shareholder in both the parent companies was Pirelli and Company, the publicly quoted company which represents the Pirelli family interests. It has 18 per cent of SIP and 12 per cent of Pirelli SpA. But the different orientations of the two companies meant that there was a gradually deepening division between them, and even some tensions, although there were board members common to both companies.

Sig Jacopo Vittorelli, managing director of SIP, says: "the trouble was that the structure became rather confused with operations in different countries and an increasing number of complicated joint ventures between the two parents. The two companies had the same aims and strategy and managers moved from one to the other, but latent conflicts of interest existed, creating potential if not actual difficulties. Everything had to be sorted out in lengthy discussions."

The 10-year union with Dunlop of the UK, in which both parent companies participated, diverted the Pirelli group from the need to rationalise its own structure. The union involved cross-shareholdings and co-operation on research, but the British and Italian groups still competed in markets and the union collapsed under the weight of its contradictions, and the fact that each group at different times incurred heavy losses. It is an episode that Pirelli looks back on with little regret.

The end of the union with Dunlop was completed by the end of last year, and in April Pirelli announced the creation of a unified structure for itself. Pirelli SpA and SIP were each to exchange shareholdings so as to own equal stakes in all associates, and the two parent companies would own on a 50-50 basis a new holding company called Pirelli Societe Generale (PSG), based in Basle, to co-ordinate the management of the group's associated companies.

The restructuring has now gone through, and PSG began operating on July 16. Sig Filiberto Pittini, the managing director of Pirelli SpA and chairman of the important Italian operating company, Industrie Pirelli, is now managing director of PSG, while Sig Vittoreli added the managing directorship of Pirelli SpA, the other parent company, to that of SIP. The parent companies will occupy themselves primarily with finance, and in the group it is said to be "arguable" which of the two executives is more senior.

The restructuring has brought about a big change in the nature of SIP. Its predominance

Sig Jacopo Vittorelli

in cables has been cut, so that cables now make up 46 per cent of its associates' turnover, closely followed by tyres with 43 per cent. Some 64 per cent of its interests are in Europe (against of 36.4 per cent previously) and some 29 per cent of them in Italy, where Industrie Pirelli, the operating company, only climbed back into marginal profit in 1980 after 10 years of losses.

The restructuring does mean the end of much of the separate identity of SIP, although it still retains its Swiss domicile, its different working language, French, and its largely different if unknown shareholders. Most of its staff of 42 have been transferred to the new company, PSG, which is organised in three separate divisions—for cables, tyres and other products. And almost for the first time executives from Milan are going to Basle on a large scale, meeting their opposite numbers who were formerly with SIP and planning for the group as a whole. Next year PSG is expected to produce the group's first consolidated balance sheet.

The situation that confronts the group is the inevitable mixed bag that one expects from a worldwide group in two mature heavy industries. SIP's profits for the year ended June 1982 were slightly down at SwFr 30.2m ($13.6m). Net profits have fluctuated narrowly between SwFr 28.4m and SwFr 32.7m over the past decade—a record which shows that in real terms earnings have suffered.

The tyre industry has been through a decade of crisis, squeezed between technological advance in the form of the longer lasting radial tyre, and falling car sales in most countries. Pirelli has responded with the development of its low profile radial tyres and, in Italy, improvements in productivity. The low profile tyres are higher margin products, and Pirelli is to expand their production.

In cables, Pirelli has the advantage of being one of the few makers of undersea power transmission cables which are becoming increasingly important, and is developing its position in the manufacture of optical fibre cables. Here its problems are more likely to be cyclical than structural, with SIP suffering from cable losses last year in the U.S., Canada, France, Peru and Argentina.

In Argentina, in fact, Sig Vittorelli's contention that tyres are currently more remunerative for SIP than cables is born out by the fact that Pirelli's tyre company there made a profit last year despite a 27 per cent drop in turnover, while cables incurred a heavy loss. The group is doing well in Brazil, where it employs nearly 13,500 (against a world payroll of 70,000) and where despite the sharp recession cables boomed last year.

Nevertheless Pirelli sees little relief from world recession. It expects group turnover this year to decline, and foresees slow growth for a decade.

PGGM pulls out of Wereldhave offer talks

By Our Financial Staff

PGGM, the Dutch pension fund, has pulled out of its bid talks with property group Wereldhave.

The two companies have been negotiating since late September, when Wereldhave requested a suspension of its share price on the Amsterdam bourse.

A statement from Wereldhave, whose chief executive recently resigned, said that disagreement had centred on price and on PGGM's unwillingness to "make agreements on social and economic policy."

Wereldhave's shares were suspended at Fl 93.50 ($33.39). Yesterday they closed at Fl 108, a fall of Fl 9 on the day. The company's last published accounts showed a net asset value per share of Fl 136.

ANI bids for rest of Comeng

By Our Financial Staff

AUSTRALIAN National Industries, the diversified industrial concern, has launched a takeover bid for Comeng Holdings which values the Australian engineering group at about A$150m (U.S.$140m).

ANI already holds about 10m of Comeng's 46m shares and is making an unconditional offer of A$3.30 a share for the rest. Comeng's shares closed yesterday at the bid price against A$2.80 on Friday.

An alternative offer of seven ANI shares for every five Comeng is available to shareholders. At ANI's current price of A$2.20 a share, the scrip alternative is worth about A$3.08 a share.

Nordic industry backing for common stock market

BY WILLIAM DULLFORCE, NORDIC EDITOR, IN STOCKHOLM

THE NORDIC federations of industries are backing a plan for a common shares market in Denmark, Finland, Norway and Sweden. A joint working committee has proposed in a report that the four governments seek understanding for such a move from the OECD.

The OECD would have to agree that lifting restrictions on trading in company shares within the Nordic area did not conflict with the organisation's rules on capital movements and did not discriminate against other countries.

The plan for a common Nordic share market has been pushed most strongly by Sweden, one of its most enthusiastic champions being Mr Nils Aasling, Industry Minister in the former non-Socialist coalition Government. The intention is that all listed companies in the area should be able, if they wish, to be quoted on the other Nordic stock exchanges.

The motives are not primarily to extend the sources of risk capital but to widen ownership of shares, to anchor stock market investment more firmly in the four national economies and to create a larger home market for company products.

On the other hand, the committee notes that many Nordic companies have low equity ratios. The opportunity to issue new shares on a common market would help to overcome this weakness and also lower funding costs.

The committee lists a number of potential obstacles, singling out the new Social Democrat Government's programme for introducing wage-earner funds in Sweden. These would be financed from company profits and would acquire holdings in company stocks. The committee warns that the other Nordic countries would lose interest in the Swedish stock exchange and a common shares market would be impracticable, if wage-earner funds are introduced.

The Nordic countries would also have to adjust their currency regulations, exempt Nordic citizens from the current restrictions on foreign ownership of shares and co-ordinate taxation of dividends.

Denmark's membership of the European Community could also be an obstacle, but the Danish federation suggests that the Nordic initiative might be integrated with the work currently being done on the formation of a common EEC share market.

The Finns doubt whether a common Nordic market can be realised in the near future. Talks between the Swedes and Norwegians are the most advanced and a joint Stockholm-Oslo share market would be the most likely initial step.

However, sceptics in all four countries doubt whether the Nordic governments are prepared to abandon their rights to control capital markets according to national interests. This argument has gained weight after the latest, surprise devaluation of the Swedish krona which provoked strong criticism from the other Nordic capitals.

Atlas Copco profits fall by half for nine months

BY OUR STOCKHOLM CORRESPONDENT

ATLAS COPCO, the Swedish compressed air and hydraulic machinery group, reports a 49 per cent decline in pre-tax earnings at the nine-month point to SKr 203m ($27m) from SKr 396m last year. Sales grew by 4 per cent to SKr 5.5bn, masking an 8 per cent fall in volume.

The poor results are attributed to international economic deterioration, particularly in the mining and construction industries. The market was "weak across the board, not least in North America," and the company forecasts a drop in annual profits from last year's SKr 570m pre-tax. The Swedish devaluation will cost the group about SKr 60m in write-up of loans.

The company has closed some operations at Atlas Copco and in EMAC in Italy, reduced production capacity in both Spain and North America, and laid off workers.

Liquidity at the nine-month stage was up 11 per cent to SKr 679m. The board recently approved a capital increase from SKr 5.1bn to SKr 5.8bn, and an issue of new shares was bought by Volvo, taking the motor group stakes in Atlas up to 25 per cent.

China Motor Bus ahead

By Robert Cottrell in Hong Kong

HONG KONG'S China Motor Bus, one of the territory's two franchised bus services, announces net profits of HK$40.47m (US$6.1m) for the year ended June against HK$33.6m a year earlier.

A final dividend of 25 cents per share following two interim distributions of 15 cents each and a special cash bonus of 13 cents, makes a total distribution of HK$31.5m, against a prior year HK$16.7m. Passenger traffic during the year rose 5.3 per cent, while mileage operated rose by 3.4 per cent.

INTERNATIONAL APPOINTMENTS

Hans Storr joins board of Philip Morris

● Mr Hans G. Storr, vice-president, finance, and chief financial officer, has been elected a member of the board of PHILIP MORRIS INC. Mr Storr, who joined Philip Morris in 1955, was elected vice-president, finance, in August 1978 and appointed chief financial officer in May 1979.

● Mr Robert V. Ahrens has been appointed director of special projects at the office of the comptroller of the currency.

● MIDDLE EAST AIRLINES BOARD has elected Mr Salim Salaam, managing director, to be its new chairman succeeding Mr Asad Nasr, who has resigned. Mr Salaam joined the company in 1948.

● Mr Edward F. Greene has resigned as general counsel of the Securities and Exchange Commission, he is succeeded by Mr Daniel L. Goelzer. Mr Greene is returning to private practice. Mr Goelzer is presently executive assistant to the chairman.

● Mr George F. Larounis, has been elected vice-president of The BENDIX CORP of Michigan. In this position, he will have overall responsibility for Bendix European automotive operations and Bendix Mintex in Australia.

● Mr Martin McGlynn has been made president and general manager, ABBOTT LABORATORIES (CANADA) from December 1. He was head of Abbott Ireland. The new head of Irish operations is Mr Brendan McKenna who has been appointed to the position of director, Ireland manufacturing operations. Mr McKenna was previously operations manager of the hospital products division.

● Mr J. Lamoureux has been elected vice-chairman of WARNACO INC. of Connecticut, from January 1. He is currently president and chief operating officer.

● Mr Peter D. Culbertson has been named president of DAYTON HUDSON CORP's new value-oriented fashion stores. Headquarters will be in Los Angeles. It has announced plans to open its first three stores in the Los Angeles area next spring.

● Mr Stephen M. Briley has been named head of the national tyres and tubes buying department of the SEARS MERCHANDISE GROUP, one of four operating units of Sears, Roebuck and Co. He succeeds Mr Gene J. Stoner, who was recently named vice-president, automotive and recreation.

● Mr Albert W. Eastburn has been elected a corporate officer of LUKENS INC. with the title of vice-president, manufacturing services and planning.

● Mr Norman Lange has been elected corporate vice-president, marketing for GENERAL INSTRUMENT CORP.

● The ROYAL BANK OF CANADA has appointed Mr Emilien Bolduc as managing director of its wholly-owned subsidiary, Banque Belge pour l'Industrie, based in Brussels. He succeeds Mr Jean-Pierre Bélanger who has been appointed vice-president, commercial lending at the Royal Bank's head office in Montreal.

Mr Emilien Bolduc, now managing director of Banque Belge pour l'Industrie

Mr Bolduc, a Canadian, was formerly situated in New York as vice-president, commercial lending, with responsibility for the eastern U.S.

● Mr Donald E. Petersen, president and chief operating officer of Ford Motor Company, Michigan, has been elected to the board of directors of PANHANDLE EASTERN CORP. He succeeds Mr Max R. Lents, co-chairman of the executive committee of Miller and Lents, Houston, who resigned in July.

● THE HALLIBURTON CO of Dallas has named Mr R. N. Killman manager of specialty services, oil field services group. In this newly created position, he will direct operations of several operating units of Halliburton, including Halliburton Resources Management (HRM), Freightmaster division, and Jet Research Center Inc. He will also continue to serve as president of HRM, a post he has held since 1976.

● Mr Michael W. Wright, president and chief executive officer, SUPER VALU STORES, INC., Minneapolis, has been named to the additional position of chairman of the board. He succeeds Mr Jack J. Crocker, who was elected chairman of the executive committee of the board of directors.

● Mr Donald G. Barber has been elected vice-president and controller of AMINOIL USA, INC. Houston. He succeeds Mr A. H. (Al) Ness, who is retiring early next year. Before joining Aminoil, Mr Barber was exploration and production accounting manager for Exxon Company USA's domestic operations, a position he held since 1980.

● Mr Mark W. Olson, president, Security State Bank, has been named 1982-83 chairman of the AMERICAN BANKERS ASSOCIATION'S GOVERNMENT RELATIONS COUNCIL. Mr Hugh M. Chapman, chairman of the board, Citizens and Southern National Bank, Columbia, was named vice-chairman. Mr Thomas B. Shriver, executive vice-president of the Pennsylvania Bankers Association, has been named chairman of the ABA STATE ASSOCIATION DIVISION.

Barlow Rand profits dip despite sharp sales rise

BY OUR JOHANNESBURG CORRESPONDENT

BARLOW RAND, the South African mining and industrial conglomerate, has reported a dip in its net profits attributable to common shareholders in the year ended September. They fell to R245.9m ($213m) from R257.3m a year earlier.

The results are not strictly comparable, however, because of the consolidation of major acquisitions made in the year. Group net profit before minority interests was R415.3m, down R100,000 from a year earlier.

Group turnover rose by 49.4 per cent to R6.83bn from R4.57bn while operating profit before tax and interest payments increased by 13.6 per cent to R736.6m.

Management points out that the acquisition of the food companies Tiger Oats and Imperial Cold Storage, both of which were consolidated by Barlow Rand for the final seven months of the financial year, had a major effect on the year's operating figures. Had they not been consolidated, the increase in turnover would have been only about 13 per cent, and in operating profit before interest and tax about 5 per cent while operating profit after interest would have fallen by about 3 per cent from R583.9m rather than increase to R600m.

One of the group's major problems has been its stainless steel operation which has been affected by very poor demand. In addition the chrome mining operations, which are the largest of their kind in the country, have been working well below capacity because of extremely poor demand from steelmakers. The tractor division, which holds the South African franchise for Caterpillar, has been hurt by weak demand from the agricultural and construction businesses.

Many of the group's operating subsidiaries, which are active in diverse fields such as textiles, packaging, cement and paints, maintained or improved their profits in the year just ended. But their near term expectations were generally not optimistic.

Barlow Rand did not comment on overall prospects for the current year, but it pointed out that trading conditions had deteriorated further in the second half of the past financial year.

An unchanged total dividend of 70 cents has been declared despite the fact that earnings per share fell to 175.1 cents from 204.2 cents.

C. G. Smith relies on food and packaging for growth

C. G. SMITH, the Barlow Rand subsidiary with interests in foodstuffs, sugar, textiles and packaging, earned pre-tax profit of R269.3m ($233m) in the year ended September 30, our Johannesburg Correspondent reports.

Turnover was R3.08bn. The year's figures are not comparable to those of 1981 since a 60 per cent direct and indirect interest was acquired in the Tiger Oats food group during the 1982 financial period. However, C. G. Smith's 1981 pre-tax profit was R197.3m on turnover of R1.29bn. The Tiger Oats acquisition was effected through a merger of Tiger with C. G. Smith's sugar interests.

The group's food interests are expected to continue growing despite South Africa's recession. However, the textile interests, which are held through Romatex, reported lower profits for 1982, and no improvement is expected in the current financial year.

The packaging subsidiary, Nampak, is expected to show a profit increase. Continued oversupply of sugar is feared on world markets. The management say the adverse effect of this on profits is difficult to quantify.

A total dividend of 120 cents has been declared from earnings of 248 cents a share. In 1981 earnings were 240 cents, and a total dividend of 115 cents was declared.

Threat to MTR property development

By Robert Cottrell in Hong Kong

A HK$10bn (US$1.5bn) programme of property development associated with Hong Kong's Mass Transit Railway system now looks in danger of being at least partially shelved.

Government officials said last night that the Hong Kong Government will be presenting within 24 hours a HK$1.82bn land premium bill to the developer of "Admiralty Two," the first site under development along the MTR's new Island Line.

In the light of depressed property market conditions, it is uncertain whether the developer, a joint venture between the Mass Transit Railway Corporation and a group of local companies led by Hang Lung Development, will wish to proceed.

It is known that companies in the Hang Lung consortium associated with Hong Kong's Chung family are already under financial pressure. Analysts say it is unlikely that the Admiralty Two development would be profitable. Prospects for the other seven major sites along the Island Line awarded to the Hang Lung consortium are mixed.

The joint venture agreement between the MTRC, which is equity-backed by the Government, and the Hang Lung consortium, requires the private sector partner to fund not only the property development, but also the associated railway works underground. It is thought that if the consortium did decide to withdraw from any of the sites, it would still be obligated to the MTRC in respect of the railway substructure.

● Wardley, the merchant bank, expects to submit to bankers its formal financing proposals to assist the troubled property group Carrian Investments and its unquoted parent Carrian Holdings on November 19. It hopes to reach agreement with bankers by November 30. Contingent on agreement being reached for provision of adequate short-and medium-term credit facilities, Carrian Investments plans to make an underwritten issue of HK$500m of preference shares.

Japan Shipbuilders results vary

BY YOKO SHIBATA IN TOKYO

MIXED results have been reported by Japan's six largest shipbuilders for the half year ended September. Mitsubishi Heavy Industries (MHI), Kawasaki Heavy Industries (KHI), and Mitsui Engineering and Shipbuilding saw sales fall in the period, and KHI and Mitsui also suffered setbacks in pre-tax profits. On the other hand, Ishikawajima-Harima Heavy Industries (IHI), Hitachi Shipbuilding and Engineering, and Sumitomo Heavy Industries reported gains in both sales and profits in the half.

However, there has been a sharp fall in export orders in the period and the impact will spread into the second half and the next financial year. Shipbuilders are likely to experience a severe fall in their business and may be forced to diversify further.

At MHI a 76 per cent jump in the value of aircraft division sales to account for 12 per cent of the total failed to cover a 4.9 per cent fall in ship sales, a 19.6 per cent fall in sales of prime movers, and a 29.3 per cent drop in machinery sales. The company achieved a rise of 11.1 per cent in pre-tax profits to Y11.15bn, however, through rationalisation efforts. Sales were 3.4 per cent lower at Y750bn ($2.7bn). Orders received were just 1 per cent higher at Y822.3bn.

For the full year to March, MHI expects sales of Y1,730bn on the strength of a recovery in prime mover sales.

A 35 per cent fall in ship sales at IHI was covered by a 2.9 fold rise in sales by the boilers and nuclear power plant division and a 39 per cent increase in aircraft engine sales, and the total was 4.8 per cent higher at Y358bn. An improvement in the cost to sales ratio resulting from stable raw material prices and a good liquidity position helped the company to report a 23.8 per cent advance in pre-tax profits to Y10.4bn.

IHI sees many uncertainties in the second half year but expects sales and pre-tax profits for the full year at the 1981-82 levels of Y777.6bn and Y19.8bn. respectively.

Total sales at KHI fell by 13.1 per cent to Y309bn in the six months. Shipbuilding sales fell by 64.2 per cent, motorcycle sales by 22.6 per cent, and plant structure division sales by 29.1 per cent and the falls were too large to be covered by a three-fold boost in aircraft division sales. Pre-tax profits were 71.3 per cent lower at Y1.92bn and even after selling assets of Y1.64bn net profits were down 34.5 per cent.

KHI expects a recovery in the shipbuilding division in the second half and full-year pre-tax profits are projected at Y4bn, down by 50 per cent and full-year sales at Y700bn, down by 8 per cent.

With strong sales of offshore oil rigs (up by 58.7 per cent) and plant (up by 48 per cent) Hitachi achieved growth of 11.3 per cent in total sales to Y220bn, and the profitability of offshore oil rigs contributed to a 51.8 per cent jump in pre-tax profits—to Y8.5bn. The company made provisions of Y1.3bn against exchange losses but was still able to report net profits of Y4.1bn, up by 35 per cent.

Hitachi expects a fall in offshore oil rig sales in the second half but this should be covered by a recovery in ship sales. Full-year pre-tax profits are projected at Y18bn, up by 36 per cent, on sales of Y510bn, up by 5 per cent.

Mitsui Engineering and Shipbuilding suffered setbacks in sales of ships (down by 69 per cent), machinery (down by 17.8 per cent) and plant (down by 65.8 per cent), and despite a 39.6 per cent rise in sales of steel structures, including offshore drilling rigs, the total was 12.5 per cent lower at Y146.5bn. An improvement in liquidity was offset by a higher cost to sales ratio and pre-tax profits fell by 21.1 per cent to Y5.67bn.

Full-year sales are expected of Y320bn, down by 12 per cent and pre-tax profits are projected at Y10bn, down by 52 per cent.

Sumitomo Heavy Industries achieved a 32 per cent rise in sales of general machinery, its main business, and a 21.5 per cent rise in shipbuilding and offshore structure sales. This offset a 25 per cent sales drop in standardised machinery and the total was 12.4 per cent ahead at Y138bn. Stable material costs and an improvement in liquidity helped the company to a 23.5 per cent rise in pre-tax profits to Y3bn

In the second half year, a contribution of Y8bn to sales and Y400m to pre-tax profits is expected from Nippon Tokushu Kinzoku, which the company absorbed on October 1. Full year sales are projected at Y300bn, up by 6.5 per cent and pre-tax profits at Y7bn, up by 7.5 per cent.

UK COMPANY NEWS

Lucas £20m back into black but payout cut

DESPITE a turnround from losses of £21.4m to pre-tax profits of £20.2m for the year to July 31 1982, which represents a profit improvement from £4.69m to £13.18m in the second half, Lucas Industries, the vehicle and aircraft accessory manufacturer, has cut its final dividend from 8.4p to 6p net, thus reducing the total distribution from 11p to 8.6p.

At midway the directors said an improvement in profits was expected in the second six months. However, they now report that the dividend has been cut because recovery has been less than expected and current trading conditions have been taken into account.

Sales to outside customers for the period under review rose by £34m to £1.22bn and, after depreciation of £28.7m against £27.4m, the trading surplus finished £30.7m higher at £59.6m. The share of associated profits added a further £3.2m (£2.5m) before the taxable result was struck, after interest of £27.5m (£26.4m) and redundancy and closure costs of £15.1m (£26.4m).

Currency rate changes had the effect of reducing the sterling value of overseas sales by £43m and profits by £5m, the directors explain, while interest included interest on loan capital of £2.7m (same), charges of £28.2m (£26.6m) on bank overdrafts and short-term loans, and interest received of £3.4m (£2.9m).

A breakdown of group sales and taxable profits by activity shows: vehicle equipment £976m (£954.3m) and £3.7m (£45.3m loss); aerospace equipment £270.6m (£250.7m) and £13.9m (£21.2m); industrial products £113.2m (£121.2m) and £2.6m (£2.7m). By area an analysis discloses: home £790.4m (£777.8m) and £3.4m (£37.6m) loss; overseas £429.9m (£408.4m) and £20.4m (£13.7m); share of associates £139.5m (£140m) and £3.2m (£2.5m). Direct exports from the UK totalled £250.9m (£234.6m), with aerospace equipment playing an important part in this increase.

Indirect exports, being equipment supplied by Lucas to vehicle, aircraft and engine manufacturers which they export, amounted to a further £190m.

UK demand for original equipment for vehicles and spare parts remained at a low level, the directors state, but in Europe there was some improvement in demand, and the company also increased its market share in the electrical, brake and diesel engine equipment businesses.

In the U.S., trading conditions continued to be very difficult and a setback in sales of diesel cars resulted in sharp falls in demand for equipment for these units.

Reorganisation of the group's Australian businesses continued and battery manufacture in that country has been terminated. However, the New Zealand concern again performed well, and the partnership companies in India, producing vehicle electrical equipment and brakes, made record results.

The Brazilian activities met with much-reduced demand but nevertheless, collectively achieved improved figures. Elsewhere in South America, the Argentine subsidiaries had to contend with very difficult financial and trading conditions. South African companies also met with a decline in business.

Group aerospace equipment sales were sustained at the high level of last year but incoming orders were reduced because of the phasing out of the Lockheed TriStar and a general lack of demand for new civil aircraft.

This decline in orders has led to staff reductions in several of the group's UK aerospace factories, but the main effect has been on the Burnley plant which is deeply involved in the supply of fabrications for the Rolls-Royce RB211 engine.

During the 12 months, new factories at Huyton and Bradford were brought into production. The Canadian aerospace operation reported improved results but those in Australia and the U.S. faced a fall in demand.

The group has also continued with the reorganisation of its industrial businesses, which has led to the sale of two companies involved in the manufacture of hydraulic equipment. The other industrial equipment companies in the UK have made some progress but demand has continued to be weak. In the U.S., Ledex, a precision electro-mechanical components and electronic subsystems manufacturer, has been purchased.

The businesses in Australia and New Zealand, which are concerned with the distribution of fluid power equipment, have been affected by the recession in those markets, the directors report.

UK employees have been reduced by 4,288 to 49,440 and, with a cut of 469 overseas, the group's total staffing amounts to 67,978.

The updating and expansion of manufacturing facilities, at home and abroad, resulted in expenditure, both capital and revenue, of £110m for the year. The level of spending on research research and development was maintained at £72m, while royalty income from the sale of technical know-how continued at a high level and earned £5.4m.

The group's net cash position at July 31 was £178.4m (£162.6m), with bank overdrafts, short and medium-term loans at £193.2m (£175.2m) and cash at bank and in hand of £14.8m (£12.6m).

Tax for the period took £14.2m (£13.1m), for a net profit of £6m (£34.5m loss) and earnings of 4.1p (38.6p loss) per £1 share. Below the line, there were extraordinary debits of £0.9m (£2m credits) and minority profits of £2.1m (£2.2m). These left the attributable balance at £3m (£34.7m loss) and, with dividends costing £8.2m (£10.5m), there was a transfer from reserves of £5.2m (£45.2m). On a CCA basis a pre-tax loss of £20.1m (£72.4m) was incurred.

See Lex

HIGHLIGHTS

Lex today discusses Sir Geoffrey Howe's mini-Budget package which includes help for industry in the form of a cut in employers National Insurance surcharge contribution. The column examines the implication of the Chancellor's measures and looks at the reaction to them. Also considered are the full-time results from Lucas Industries where a recovery from a £21.4m pre-tax loss to a £20.2m profits hides a £3.4m loss in the UK. Lex goes on to look at the link up between Glaxo and Hoffman Lareche to market Zantac in the U.S.

'W' Ribbons cuts losses to £42,000

REDUCED pre-tax losses have been produced by "W" Ribbons Holdings from £320,000 to £42,000 for the year to June 30 1982. Turnover of this manufacturer of nylon and polyester webbings improved from £10.51m to £13.52m.

At the half-way stage profits of £19,000 were shown compared with previous losses of £273,000 and the directors said then that trading conditions remained extremely competitive.

Trading since the end of the year under review, say the directors, has shown a pattern consistent with that of the same period for last year and sales volumes are being maintained. They say they welcome the rapid decline in interest rates.

As forecast there is again no ordinary dividend. Losses per 10p share were shown to be considerably reduced from 5.82p to 1.11p.

Pre-tax profits included an exchange gain this time of £5,000 —previously losses amounted to £39,000. Interest paid was the same-again at £516,000.

Tax recovery amounted to £15,000 (nil). There were extraordinary credits of £203,000 compared with debits last time of £77,000, which the directors explain represents the excess of net proceeds for the sale of vacated Croydon premises over their historical costs.

● comment

A sharp dip in demand for "W" Ribbons' main weaving company in the UK in the first four months of 1982 slowed the rate of recovery. However there has been an improvement since and with up to half of this output going into the car industry there is promise of a further pick up in sales, particularly if attention is focussed on seat belts for rear seat passengers after the front seat law comes into effect in January. The Lolift companies in the UK and Germany and the French weaving plant remain profitable but a major factor in pulling the group well into the black in the second half of the current year will be the effects of lower interest rates, better cash flow and debt reduction. Gearing has been at an unnerving 160 per cent plus for more than two years. Reduction of work in progress at the weaving company could trim around £200,000 off debt by January. But the major factor should be the sale of the German factory. An Electrolux subsidiary has an option on these premises at £1.2m, which runs out at the end of 1982. These funds applied to borrowing could bring gearing down to around 100 per cent. Yesterday shares gained 3p to 13p capitalising the group at £740,000.

Hunting Gibson falls sharply at half time

IN THE first half of 1982 Hunting Gibson traded at a loss. However, a higher share of associates pushed the company back into the black at the pre-tax level, albeit at a much reduced £578,000 compared with £1.42m for the corresponding period.

In addition, as it is forecast that the share of associates in the second half will not quite match the £5.7m achieved in that period last year, the directors are predicting a full year attributable outcome, pre-extraordinary items, of around £218,000 against £2.14m.

This in turn, they say, will be affected by a loss on the disposal of ships and the write-down of the company's two remaining vessels to current market values. These items which amount to some £5.5m will be taken into full year accounts as an extraordinary charge.

For the first six months, turnover fell from £7.93m to £7.36m and a trading loss of £226,000 (£663,000 profit) was incurred. The share of associates' profits rose from £761,000 to £804,000, while the group tax charge increased from £251,000 to £394,000. This left net profits at £184,000 (£1.17m) and earnings per 25p share down from 13.7p to 1.1p.

Nevertheless, the net interim dividend is held at 2p, costing £169,000 (£168,000). Last year a total distribution of 6p was paid from pre-tax profits of £3.41m.

● comment

Hunting Gibson's moves to scramble out of shipping and into an odd assortment of other, unconnected interests was made early enough to prevent the group from sinking. But it was too late to stop the haemorrhage which has diminished pre-tax profits to their lowest level since the last shake-up period in 1977. With the market falling rapidly, Hunting sold off one ship in January and a further two in May. Now only two ships remain whose value, after being written down by £21m, is about £4m, just enough to cover a cheap mortgage on one ship, should Hunting decide to sell them off and close down its shipping division. With its losses probably reaching £600,000 in the first half, this move seems increasingly likely. The rush of UK firms to sell off their ships, however, has meant a profitable period for the group's shipbroking subsidiary. Despite Hunting's lack of experience, the other subsidiaries, covering computer services, property development, office refurbishment and painting, which were acquired over the past two years, were profitable in the first half and, with seasonal factors at play, should be more so in the second. Hunting Petroleum, in which the group has a 30 per cent stake, is continuing to thrive, and so continuing to thrive, and so the the year seems a little conservative. With the final dividend unchanged, and therefore barely covered, the prospective yield is 10.5 per cent on a share price of 84p, down 8p yesterday.

Standstill at Allied Irish Banks

PRE-TAX profits at Allied Irish Banks edged ahead from I£29.5m to I£29.6m for the half-year to September 30 1982. The directors say "the results are rather disappointing, but understandable having regard to the severe effect which the current recession is having on so many of our customers—and on all facets of our operations."

They add that there has been increasing incidence in the past six months of customers' inability, particularly in the manufacturing and agricultural sectors, to meet their liabilities in full.

Accordingly, the bank has experienced a sizable increase in non-payment of interest due, and it has also added significantly to its provision for bad debts. They do not foresee any great improvement in the economy for the second half-year.

The net interim dividend is raised from 3.5p to 4.5p and will absorb £6m (£4.7m). The increase is in line with the bank's declared policy of equalising as far as posible, the interim and final dividends.

Tax for the six months to September 30 1982 was slightly lower at £8.5m (£8.9m), leaving attributable profits ahead at £21m against £20.6m.

● comment

With inflation running at around 17 per cent in Ireland, stable pre-tax profits in nominal terms mean quite a substantial fall in real terms. So AIB cannot afford to pat itself on the back this time. On the other hand, it has done a lot better than the Bank of Ireland, whose current cost figures published last week showed a huge fall in CCA profits from I£8.7m to I£1.6m. Bad debt provisions are the major problem in recession hit Eire, but AIB is refusing to release the exact figures for these until the year-end. It admits only that they are substantially up on last year. The parent company has suffered a fall in operating profits, mainly due to an expensive deal with staff on new technology; profits were returned to last year's levels only by larger contributions from subsidiary and associated companies. There was a small growth in deposits and a similarly small rise in advances. Cash and money at call are up, largely because of an involvement in the new LIFFE. The bank intends to maintain its dividends, despite them not being covered by current cost earnings. With the shares up 6p on the day, at 96p, the prospective yield is 11.7 per cent for UK investors.

McInerney ahead at I£1.3m

McInerney Properties, an Irish construction company produced profits for the six months to June 30 1982, ahead at Ir£1.3m compared with Ir£646,000 for the same period last year. Turnover was up from Ir£18.2m to Ir£23.5m.

Mr Ambrose McInerney, chairman, said that improved contributions were made by the Middle East, UK and civil engineering division. In the UK, good progress was made in joint venture and private housing schemes, with order books described as "satisfactory."

Howard and Wyndham incurs a heavier loss

Losses incurred by Ciro prior to the 60 per cent disposal are included in the first-half figures of Howard and Wyndham, which show increased pre-tax losses of £529,000 compared with £377,000.

Howard and Wyndham sold 60 per cent of the share capital of Ciro by way of public offering on October 1. The profit arising from the sale will be incorporated in the year-end accounts.

As a result, the group now has only one trading division, W. H. Allen, publisher. It, of course, holds a substantial interest in Ciro and the profits therefrom will be included in the group's results on an equity basis.

Howard and Wyndham sales rose from £4.33m to £4.5m in the first half of 1982. The pre-tax loss was after higher interest charges of £221,000 against £187,000. Tax was £8,000 compared with £7,000, and the loss per 20p share was up from 6p to 8.1p. Again no interim dividend is being paid—the last payment was a final of 0.335p net in 1979.

Town Centre ahead at £1.92m

TAXABLE profits of Town Centre Securities advanced from £1.69m to £1.92m for the year ended June 30 1982 and with stated earnings per 25p share emerging higher at 1.54p, compared with an adjusted 1.43p, the dividend is being increased to 1p net.

Gross revenue of this investment property concern moved ahead to £4.99m (£4.59m). Profits at the pre-tax level were struck after interest charges of £1.31m, against £1.34m—last year's figures included an exceptional credit of £187,000.

The group's operations, other than those held by the dealing subsidiary, are held as long term investments.

Freehold and long leasehold investment properties have been revalued as at end June on the basis of an open market value for existing use at £72.3m.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims—Allnatt London Properties, Ambrose Investment Trust, Anglo American Coal, De La Rue, Electrocomponents, Futura, Great Portland Estates, TR Property Investment Trust, Whitbread.

Finals—Arenson, Hartwells, Scottish National Trust, Smiths Industries, Yarrow.

FUTURE DATES

Interims—

Buckley's Brewery	Nov 11
Electra Investment Trust	Nov 10
Hall (Matthew)	Dec 8
Headlam Sims and Coggins	Nov 11
Locker (Thomas)	Nov 18
Usher-Walker	Nov 10
Warrington (Thomas)	Nov 10
Wire and Plastic Products	Nov 15

Finals—

Bellway	Nov 10
Lazard Bros. String. Res. Fd.	Dec 22

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Allied Irish Banks int§	4.5	Dec 15	3.5	—	—
Bridport-Gundry	1.42	—	1.42	2.41	1.42
Hunting Gibson int	2	Dec 1	2	—	6
Lake View Invest int	1.55	Dec 1	1.5	—	4.15
Lucas Inds	6	—	8.4	8.6	11
Murray Clydesdale	1.45	—	1.23	1.95	1.78
Town Centre Secs	1	—	0.8*	1	0.8*
Young Cos Inv int	2.2	Dec 30	2.2	—	6.4

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM Stock. § Irish pence throughout.

Wilshaw losses increase but pick-up seen

A lack of sales volume, due mainly to an absence of orders in a depressed home market, led to a fall in turnover from £1.36m to £1.29m and an increase in pre-tax losses from £19,614 to £210,521 at **Wilshaw Securities** during the year to July 31 1982.

At half way, when reporting a deficit up from £12,568 to £71,138, the directors said they hoped to see some improvement later in 1982 but it would be unwise to *be too optimistic*. However, they now state that since the year end this hydraulic presses and equipment manufacturer has managed to secure certain orders which it has been negotiating for some months. They are therefore hopeful that the current 12 months should show a better trend.

There was no tax charge for the period under review, compared with a credit of £13,269 last time, and the loss per 25p share is shown to have increased from 0.7p to 23.4p. The company's bankers continue to give valuable support, the directors add.

Courtaulds sets up new S.A. offshoot

COURTAULDS subsidiary, Courtaulds Automotive Products, has set up an offshoot in South Africa to manufacture flat woven upholstery for motor vehicles. No amount of the investment is disclosed.

Courtaulds already has a substantial share of the automotive upholstery market there but its products are imported from the UK. It now plans to manufacture locally in order to maintain and develop that share.

The group's existing interests in South Africa are centred on the knitting, pulp and paper converting industries. Upholstery fabrics will be produced at a factory in Durban from mid-1983.

Marlborough Property at £116,000

Although gross rentals receivable improved from £278,000 to £329,000 at **Marlborough Property Holdings**, sales of properties, other than investment properties, fell from £482,000 to £325,000 in the first half of 1982. Pre-tax profits were £116,000 against losses of £14,000 in the corresponding period last year and profits of £470,000 for 1981 as a whole.

The pre-tax figure was after higher interest charges of £366,000 (£241,000). Tax this time took £120,000, resulting in a net loss of £4,000 (£14,000, before an extraordinary credit of £75,000).

Mr Martin M. Lange, the chairman, says the £4,000 net loss stems principally from the limited disposals during the period, but the group continues to hold a number of properties where there are large elements of *unrealised profits within* developing subsidiaries.

He says the results for the full year will be dependent on the timing of certain sales. However, the board maintains its policy of placing asset growth before earnings.

The proceeds of the group's recent convertible loan stock issue are being largely used in connection with its industrial developments at Weybridge, Surrey, where work has recently started, and Guildford where rentals for lettings on the now complete first phase are ahead of expectations. Terms have also been agreed for a major pre-let on the second phase.

The board remains confident of the continued growth and prosperity of the group.

There was a loss per 5p share of 0.02p (0.07p).

Bridport-Gundry in £710,000 turnround

A £710,000 turnround has put **Bridport-Gundry** back in profit for the year to July 31, 1982. Pre-tax profits came out at £326,000 compared with losses of £384,000 in the previous year. Turnover of this netting and cordage manufacturer rose from £14.33m to £16.84m. There were trading profits of £687,000 against losses of £21,000. The *pre-tax figure was after interest* charges slightly lower at £361,000 against £363,000.

The final dividend is 1.42p for a total of 2.41p net against a single payment in the previous year of 1.42p. Stated earnings per 20p share were 1.13p against losses of 6.6p.

The directors say the year-end result indicates that the group is firmly on the road to recovery, although in certain areas that recovery was slower than hoped. *James Pearsall and Company*, manufacturer of surgical suture materials and of industrial sewing threads, was particularly affected by a serious fire in March. As a result of this, the company decided to bring forward *a major re-organisation of* the dyeing and wareroom facilities.

The recession is continuing on both sides of the Atlantic and there are always problems in increasing profit margins under *those conditions. Nevertheless*, they say every part of the group is performing well, and orders are much better in most areas than a year ago.

The company's cash position remains satisfactory. Since the *year-end it has sold surplus* premises in Lowestoft for £40,000.

Substantial orders for military products have been received by Bridport Aviation Products since the year-end. The marine division improved its performance in both the UK and Ireland.

Jackson Trawls has entered into a long-term marketing and manufacturing agreement with Mr John West for his system of *oil slick recovery equipment*, which offers substantial advantages over systems currently in use.

Following the success of the partnership in Jackson Trawls, the company has reached agreement to sell 49 per cent of the equity of Bridport-Gundry (Ireland) to Mr Thomas Watson, an experienced trawler skipper.

Mr John Stuart has sold back to the company his 49 per cent share in J. and W. Stuart. The company *is in the process of* transferring the whole of the J. and W. Stuart operation to Jackson Trawls so that Scottish operations can be co-ordinated under the management of Mr Arthur Buchan.

The Brixham Net Company incurred a small loss in the first few months of trading, but the directors are confident that it will develop into a sound investment.

Group tax for the year was up from *£162,000 to* £181,000, leaving profits of £145,000 against losses of £546,000. Minorities took £40,000 (£24,000), and currency translation differences brought in £78,000 (£250,000). There was an *extraordinary credit of £10,000* (£65,000 debit).

Branon chief hopeful of substantial improvement

Sir Monty Finniston, chairman of Branon, an oilfield and engineering services group which came to the market just over two years ago, said yesterday that he was more optimistic about prospects for the current financial year.

In operating profit terms he said he thought the group would do substantially better than the previous year. Although Sir Monty pointed out that he was not saying they were going to double again, he said he expected them to show a "substantial improvement."

Interest charges were again likely to weigh heavily but at the pre-tax level, profits were also expected to show an improvement.

Sir Monty said although bank overdrafts were up on last year *the directors were looking to* get them below last year's near £1.9m—their target for the current year is about £1.5m.

He revealed that there had been good news of cash backing for the drilling of another 100 wells by the Cavendish Petroleum Company in which Branon has a 19 per cent stake. At the same time, he said, the group had been assured of continuing support from the International Energy Bank for its own investment and had arranged for a rescheduling of its own loan from the bank.

As known Branon is looking for a buyer for its Arrow Construction Equipment subsidiary, which is hoped will realise a totaol of about £1.5m.

Arrow is one of the three former Williams Hudson subsidiaries brought together to form Branon. It produces specialist construction equipment and trailers.

Over the past financial year reorganisation pulled Arrow round from a £19,000 loss to operating profits of £64,000. During the first half of the current year the company fell back into the red but it is expected to be back in profit by year end.

Sir Monty said that the sale of Arrow subsidiary would "transform" Branon's balance sheet.

Stoddard rights will aid recovery programme

SIR ROBERT MACLEAN, chairman of troubled Scottish carpet manufacturer **Stoddard Holdings**, tells members in his annual statement that had the directors foreseen the extent of the fall in the market demand for woven carpets, negotiations with the Guthrie Corporation would have taken a different form.

He says that had trade picked up, or even remained steady, the story would have been very different. He points out, however, that demand for woven carpet fell further and that what should have been valuable productive assets in fact occasioned major losses.

Stoddard, which manufactures Axminster, Wilton and bonded carpets, merged with the Scottish carpet interests of Guthrie in January 1981. Of the four plants taken over only one is currently in full production. One has been "mothballed."

As reported on November 2 the group is planning a £2.6m rights issue and a capital reconstruction. For the year ended March 31 1982 it incurred pre-tax losses of £2.25m, as against a £1.87m deficit for the previous 10 months. Turnover rose from £22.82m to £34.99m.

Sir Robert says the directors' belief is that the group is strongly placed in the general field of carpet manufacturing and that after fresh capital is introduced to finance the recovery already begun it should be able to trade profitably at present levels of demand.

In their report on the accounts for the 1981-82 year the group's auditors, chartered accountants Arthur Young McClelland Moores and Co, say the accounts were prepared on a going concern basis and were dependent upon the implementation of the share issue proposals.

At year-end, group shareholders' funds totalled £9.08m (£13.42m) and net current assets stood at £3.87m (£7.97m). The accounts show there was a decrease of £4.08m (£2.85m increase) in working capital.

Lake View improves at interim stage

An increase from £1.65m to £1.74m in pre-tax revenue is reported by Lake View Investment Trust for the six months to September 30 1982. Total income was higher at £2.01m against £1.92m and expenses and interest were little changed at £271,262 compared with £270,954.

After tax up from £573,793 to £630,394 and preference dividends of £9,300 (same), revenue available to ordinary shareholders has increased by 3 per cent from £1.08m to £1.1m. But the directors point out that as a consequence of the decision to increase further the Far East content of the portfolio, the outlook for the full year is for a small reduction.

Nevertheless, the board has decided to make a small increase in the interim dividend, from 1.5p to 1.55p net. Last year's total payout was 4.15p from pre-tax revenue of £3.31m.

Recovery in stock markets since August, in such an environment, the Japanese yen may before long recover some strength, and during the next period opportunity will be taken to increase commitments further in the Far East.

Net asset value per share improved by 2.2 per cent from 175.5p to 179.5p prior charges at par, and from 179.9p to 182.1p.

LADBROKE INDEX
613-618 (−9)

MINING NEWS

Ayer Hitam facing full impact of tin controls

BY KENNETH MARSTON, MINING EDITOR

MALAYSIA'S **Ayer Hitam Tin Dredging** increased its mining profits in the year to June 30 in line with higher production of tin concentrates and a better price received for them. However, a fall in interest receivable left the company with a pre-tax profit of M$5.42m (£1.37m) against M$5.55m in the previous year.

Although the tax charge on the latest occasion was reduced by capital expenditure allowances it was still well above the abnormally low figure for the previous 12 months. Consequently, the past year's net profits come out at M$3.48m, or 57 cents per share, compared with M$5m in 1980-81.

A final dividend is declared of 45 cents to make a total of 95 cents, less tax at 40 per cent, compared with 135 cents for the previous year.

A further fall in profits and a cut in the distribution for the current year seem inevitable against the background of a full 12 months' sales restriction under the tin export controls put into effect by the International Tin Agreement in an effort to reduce the big surplus of tin stocks overhanging the market.

The sales quotas allotted vary from company to company. In the case of Ayer Hitam the quota allotted for the three months to September 30 last was equal to 67.2 per cent of normal production and this has resulted in the shutdown of one of the company's three dredges.

Ayer Hitam's production of tin concentrates for the first four months of the current financial year, however, has kept up at 445 tonnes compared with 435 tonnes a year ago.

On the other hand, other mines in the *Pernas Charter Management* group show some sharply reduced cumulative totals for the companies' respective financial years.

Berjuntai's six-month total has fallen to 1,361 tonnes from 1,801 tonnes in the same period of last year. Of companies having completed four months of their financial year, the big **Malaysia Mining Corporation** has produced 2,085 tonnes in the period against 2,755 tonnes; **Aokam** 362 tonnes against 493 tonnes; and **Tongkah Harbour** 98 tonnes against 129 tonnes.

Latest monthly tin concentrate output figures are compared in the following table.

	Oct tonnes	Sept tonnes	Aug tonnes
Aokam	85	96	133
Ayer Hitam	110	96	108
Berjuntai	180	188	210
MMC	496	479	523
Sungai Besi	78	78	75
Tongkah Harb.	25	39	10

International round-up

THE DIRECTORS of Australia's **Nickelore** have recommended acceptance of an increased offer for the company's shares from **Australian Consolidated Minerals** (ACM). The improved offer includes a 10 cents (5.6p) a share cash element.

The new terms are three ACM shares plus 20p cash for every two Nickelore shares. The offer for Nickelore's options remains unchanged at three ACM 1984 options for every two Nickelore 1982 options.

Nickelore's main attraction is a 30 per cent stake in the Big Bell gold joint venture in Western Australia. ACM, which already holds 50 per cent of the project, plans to acquire the outstanding 20 per cent from Amax of the U.S.

★ ★ ★

Japan's **Nippon Mining** has forecast a net loss of Y800m (£1.72m) for the financial year to March, against earlier estimates of a profit of Y5bn. This compares with last year's net profit of Y1.02bn.

The group attributed the expected loss to slow sales of non-ferrous metals, losses on currency translation and higher prices for crude oil imports.

★ ★ ★

The latest quarterly report from Australia's **Poseidon** shows that **Kalgoorlie Mining Associates**, in which it has an indirect interest of 34.4 per cent, produced a total of 47,500 ounces of gold in the September quarter, up from 20,000 oz a year ago.

The Mount Charlotte mine boosted its recovery grade to 4.38 grammes of gold per tonne, compared with 2.63 grammes, while the Fimiston mine averaged 6.07 grammes against 4.01 grammes. Mill throughput was also sharply higher at both mines.

★ ★ ★

Kiena Gold Mines, a new gold producer in the Val d'Or district of Quebec, has made enough profit in the third quarter to eliminate the losses recorded in the first half. Third quarter profits were C$1.3m, giving the company a profit after nine months of C$500,000.

Canada's **Falconbridge** owns 68 per cent of the company.

The company lost a net C$4.6m in the first nine months of the year, against a loss of C$1.7m for the same period of 1981. Production was halted early in July.

★ ★ ★

Canada's **Placer Development** incurred a net loss of C$20.2m in the first nine months of 1982, compared with profits last time of C$31.1m.

The principal reasons for this were a loss at **Zinor Holdings**, the vehicle for Placer's interest in **Noranda Mines**, and the poor performance of the Endako molybdenum mine in British Columbia.

Companies and Markets

BIDS AND DEALS

Intasun takes to the slopes with school skiers

INTASUN LEISURE GROUP, the package holiday operator, *has acquired* the capital of Schoolplan Tours, in another move aimed at reducing the overall seasonality of its business. The shares rose 2p to 124p.

Schoolplan specialises in the market for school winter skiing holidays—also operating holidays for adults through a subsidiary, Skiscene—though it does have a *summer holiday programme. The* purchase represents Intasun's first foray into the skiing market.

Mr John Bowden, the founder and managing director of Schoolplan, has sold his majority stake in the company and the remaining shares have been acquired from other directors and a number of trusts.

Intasun has agreed to pay cash in three instalments, the first of which was paid yesterday when effective ownership of the company passed to Intasun.

The aggregate consideration will be partly dependent upon Schoolplan's performance over *the next three years under its* existing management, which will remain to run Schoolplan as an independent division of Intasun.

The company made pre-tax profits of £1.1m in the year to last March. On this basis, Intasun will pay £4.9m over 1982-84. Upward adjustments to the purchase price could lift it to a maximum of £6.3m.

Mr Bowden, who will join the board of Intasun, formed Schoolplan in 1977. Mr Peter Woodward, Intasun's finance director, *said yesterday that in a few years* it had shown itself to be a successful and cash-rich business.

'We are looking to increase our presence in the skiing market gradually over time, but the acquisition won't change Intasun's overall profile," said Mr Woodward.

Parsons seeks contract with Alva

STOCKBROKER Parsons & Company has bid through a subsidiary, Parsons Corporate Services (PCS) to enter into a management contract to handle the future business of Glasgow-based Alva Investment Trust.

PCS has set aside £4.95m out of which it proposes to buy, at *their net asset value, any shares* in the investment trust tendered to it by existing shareholders. The applicable share price will be calculated on November 26 but will not exceed 325p. If applied on October 29, each share would have been worth 281.05p.

Mr John Kerr, Alva's chairman, has written to the trust's shareholders explaining that he and his fellow directors, advised by Morgan *Grenfell, consider* the proposals fair and reasonable.

In addition to the management contract and the share tender offer, PCS's proposals also provide for changes on the board of directors and opportunities for existing *shareholders* to increase their holding in the trust, at a subscription price again based on the underlying asset value of the trust.

It is envisaged that Alva's investment policy will be fundamentally realigned in favour of unquoted companies, *new ventures, management buy*-out opportunities, stocks on the Unlisted Securities Market and small companies traded on overseas markets.

Alva will hold an extraordinary general meeting of its shareholders on November 29 to propose special resolutions in line with PCS's proposals.

Equity injection for Pennine Commercial

Pennine Commercial Holdings expects to announce later this week full details of a substantial equity injection by a Scottish consortium, with which negotiations are currently in progress. *The details are not expected to* take the form of a cash circular to shareholders but they should give an explanation regarding yesterday's resignation of Mr D. J. Knott, Mr R. C. Brokenbrow and Mr T. P. Donnellan from the board—*three-fifths of its com*plement—the elevation of Mr Keith Jones and the appointment of Mr E. W. A. Hawley.

It is anticipated that the announcement will also give further details of Pennine's recent cash raising exercise which involved the sale of filling stations and housebuilding *land at a substantial discount to* asset values.

KEEP CLAIMS 41% OF DORADA

The contested £4m offer by **Keep Investment Trust for Dorada Holdings**, the motor distribution and engineering group, has been *accepted by holders of* 41.06 per cent of Dorada's shares, including the 8.4 per cent stake held by British Car Auctions, and is to be extended until November 22.

Keep stressed yesterday that its terms "will under no circumstances be increased." The offer will lapse if it has not gone unconditional on or before that date and the cash alternative will *in any event be withdrawn.*

The cash offer of 40p per share has been accepted by holders of *28.4 per cent of the equity thus* far. Keep is now looking for some 500,000 shares to secure majority control and calculates that four uncommitted institutional investors still account for 1.5m shares.

JEAN COMPANY IS WOUND UP

Joan Collins Jean Company, the fashion concern launched by the actress last year, was *compulsorily* wound up in the High Court in London.

Mr Justice Mervyn Davies made the order on a petition by Viceroy Press, trade creditors for £6,660.

No other creditors gave notice of claims against the debtor company, which was not represented and did not oppose the petition.

RIT AND NORTHERN

RIT and Northern and Kitcat and Aitken announced on August 27 1982 that they had made a conditional agreement for RITN to subscribe for a 29.9 per cent interest as a limited partner in the continuing partnership of Kitcat and acquire Bishopsgate Progressive Unit *Trust Management Company.*

Following receipt of approval from the Stock Exchange the *transaction has been completed.*

In connection with this, RITN has issued £1m nominal of 10 per cent convertible unsecured loan stock 1987 convertible into ordinary shares of RITN at the rate of 51.6 ordinary shares of *RITN per £100 nominal of loan* stock.

Mr Nils Taube, previously the senior partner of Kitcat, will join the board of RITN and will become the chief executive of J. Rothschild Investment Management, the RITN subsidiary, under the chairmanship of Mr David Montagu. Mr Peter *Nuttall is the new senior partner* of Kitcat.

SHARE STAKES

Bardsey: L. G. Stopford Stackville, chairman, has acquired 50,000 ordinary shares increasing holding to 203,000 shares (0.69 per cent).

Bio-Isolates: Mrs D. Morris, wife of director, has sold 60,000 ordinary shares.

New Court Natural Resources: Hampton Gold Mining Areas acquired 250,000 warrants on September 30 and holds 552,500 *warrants, 19.6 per cent of those* outstanding.

Tasminex: Hampton Gold subsidiary Hampton Areas Australia has increased its beneficial share interest to 610,800 shares (10.02 per cent).

East Midland Allied Press: Francis Charles Winfrey, a director, has acquired 31,875 ordinary shares.

Bardsey: Mr Pearson, a director, has acquired a total of 200,000 ordinary shares increasing holding to 3.1m shares (10.49 per cent).

Fundinvest: the trustees of the *National Coal Board Staff Superannuation Scheme and the Mine*workers' Pension Scheme together sold 200,000 income shares. As a result they no longer have a notifiable interest.

Associated Book Publishers: Morgan Grenfell special exempt fund's holding is 853,000 ordinary shares (5.05 per cent).

Braby Leslie: Lazard Brothers and Co has purchased 20,000 ordinary shares.

***Esperanza International Ser*vices:** Allard Jiskoot, a director of RIT and Northern and of *J. Rothschild Investments SA*, has purchased 7,000 ordinary shares.

Clive Discount Holdings: N. H. Chamberlen, a director, has purchased 10,000 ordinary shares in the name of Corporation of Lloyds, account 225. A. N. Burman, a director, has purchased 10,000 ordinary shares in the name of his wife, Mrs Joan Doreen Burman.

Wedgwood and Dartington

Wedgwood and Dartington Hall Trust have agreed to merge their interests in glass tableware and giftware.

A holding company will be formed to acquire the Dartington factory at Torrington, Devon, and the Wedgwood factory in King's Lynn, Norfolk, and the shares of this new company will be held equally by *Dartington and Wedgwood.*

The book value of the combined assets of the new company will amount to £2.5m, annual turnover will be about £5.5m and there will be just over 300 *employees. The consideration* of £1m to be paid by Wedgwood will be £700,000 in cash and £300,000 in ordinary shares of Wedgwood valued at mid-market value on November 4. Application will be made to deal in the 428,571 ordinary *shares to be* issued.

The directors of Wedgwood *believe* that the profit of the new company, while satisfactory, will not make an immediately significant impact on group figures.

Completion of the agreement is scheduled for November 30.

NO PROBES

The following mergers will not be referred to the Monopolies and Mergers Commission:

Amalgamated Distilled Products/Barton Brands.

Anglo Nordic Holdings/Braby Leslie.

Tarmac buys stake in U.S. partner

TARMAC has acquired a 25 per cent stake in *Schal Associates* of Chicago, the prominent U.S. construction management company *with which it formed a* UK partnership in February 1981. The investment is understood to be worth £1.7m.

The UK partnership, Tarmac Schal, provides consulting and management services to the construction industry throughout Europe, where the two parents between them have outstanding contracts worth over £150m.

Mr Alan Osbourne, chief executive of Tarmac's construction *division, said the investment was* one further development of "a partnership of two very successful companies poised to tackle a whole new horizon of construction possibilities." Tarmac's shares closed unchanged at 424p.

E. & CALEDONIAN

Venture capital organisation English & Caledonian Investment has taken a major stake in Linton Systems, a company *which owns the rights to a steel* framed building system.

English & Caledonian has acquired *40 per cent of Linton* for £200,000 and is putting in a further £100,000 as a loan.

HELICAL BAR

Helical Bar announces that Mr M. Clark has *purchased* 210,000 shares (7.3 per cent) and an associate, Miss J. Wright, has purchased 334,417 shares (11.52 per cent).

HAVEN LEISURE

Haven Leisure (ECC), English China Clays' subsidiary, is continuing its expansion of holiday *interests in France by two more* acquisitions.

At Montpellier in the south of France, Haven has bought a holiday park for about £950,000 and has also bought for £450,000 "Eurovacs Holidays" from *Caravan International.*

The purchase includes a fleet of 165 caravans which will be located at parks in Brittany, the Charente-Maritime (where Haven already own a major park), Les Landes, the Dordogne and on the Cote d'Azur.

WINGATE TAKES 50% STAKE IN £4.33M PROPERTY

Wingate Property Investments, through its wholly-owned subsidiary, the Development and Realisation Trust, has, in conjunction with Galway Trading, formed a joint 50-50 company, Crofthaven Properties, which has contracted to acquire a *freehold property known as* Queen's House in Leicester Square, London. The consideration, to be *paid in cash on* January 31 1983, is £4.33m, of *which Wingate is responsible for* £2.16m.

The property has been acquired with a view to its development and refurbishment to provide *first class modern* office and retail accommodation.

B AND C LIFTS STAKE IN COUNTRY AND NEW TOWN

British and Commonwealth Shipping Co is continuing to increase its shareholding in Country and New Town Properties.

The latest purchase *was of 200,000 C. and N. T. shares. This* was the fourth this year, and the second since fire destroyed C. and N. T.'s Civil Service store in the Strand, London, in July.

It raises B. and C.'s stake to 41.98 per cent of the 45,391,551 *shares issued by C. and N. T. In* January, the shareholding represented 40.01 per cent.

No reason for the four purchases has been given.

B. and C. has been a large shareholder in the company for some years and is already represented on the board.

LONDON TRADED OPTIONS

November 8 Total Contracts 1,857 Calls 1,322 Puts 535

Option	Ex'cise price	Jan. Closing offer	Jan. Vol.	April Closing offer	April Vol.	July Closing offer	July Vol.	Equity close
BP (c)	300	38	2	48	—	60	—	320p
BP (c)	330	17	44	28	54	36	—	"
BP (c)	360	6	10	12	[illegible]	[illegible]	—	"
BP (p)	300	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	"
BP (p)	330	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	"
CU (c)	130	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	127p
CU (c)	140	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	"
CU (c)	160	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	"
CU (p)	130	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	"
CU (p)	140	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	"
Cons. Gld (c)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	404p
Cons. Gld (c)	420	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Cons. Gld (c)	460	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Cons. Gld (c)	500	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Cons. Gld (p)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Cons. Gld (p)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Ctlds. (c)	70	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	80p
Ctlds. (c)	80	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Ctlds. (c)	90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Ctlds. (p)	70	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Ctlds. (p)	80	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
GEC (c)	217	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GEC (c)	237	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
GEC (c)	260	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
GEC (c)	280	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
GEC (p)	217	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
GEC (p)	237	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
GEC (p)	260	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Gr'd Met. (c)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gr'd Met. (c)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Gr'd Met. (c)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Gr'd Met. (c)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Gr'd Met. (p)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
ICI (c)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ICI (c)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
ICI (p)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Land Sec.(c)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Land Sec.(c)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Land Sec.(p)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Mks & Sp.(c)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mks & Sp.(c)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Mks & Sp.(c)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Mks & Sp.(p)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Mks & Sp.(p)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Shell (c)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	418p
Shell (c)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Shell (c)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Shell (c)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Shell (p)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Shell (p)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Shell (p)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
		November		February		May		
Barclays (c)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	378p
Imperial (c)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	120p
Lasmo (c)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	348p
Lonrho (c)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	90p
P & O (c)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Racal (c)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
RTZ (c)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Vaal Rfs. (c)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

C=Call P=Put

EUROPEAN OPTIONS EXCHANGE

Series		Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	May Vol.	May Last	Stock
GOLD C	$375	5	39	5	58	—	—	$407.75
GOLD C	$400	59	17	1	45 A	20	57	"
GOLD C	$425	35	6	98	27	31	42	"
GOLD C	$450	113	2	43	21	23	29	"
GOLD C	$475	—	—	106	13	13	23	"
GOLD C	$500	—	—	95	7.60	23	19	"
GOLD C	$550	—	—	29	3	31	10	"
GOLD P	[illegible]	—	—	20	3.50	—	—	"
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
PHIL P	F.27.50	55	0.90	87	1.10	—	—	"
PHIL P	F.30	80	2.30	—	—	35	2.80	"
RD C	F.80	—	—	25	17.50 A	—	—	F.95.10
RD C	F.90	148	8.30	—	—	—	—	"
RD C	F.100	212	2.30	228	4.30	45	5.20	"
RD P	F.90	64	1.90	30	2.70	—	—	"
RD P	F.100	27	6.50	12	7.30	—	—	"
UNIL P	F.170	15	1.40	20	3.70	—	—	F.205
UNIL P	F.190	24	7	15	10.80	—	—	"

TOTAL VOLUME IN CONTRACTS 8,154

A=Asked B=Bid C=Call P=Put

BASE LENDING RATES

A.B.N. Bank	9 %	■ Hambros Bank	9 %
Allied Irish Bank	9 %	Hargrave Secs. Ltd. ...	9 %
Amro Bank	9 %	Heritable & Gen. Trust	9 %
Henry Ansbacher	9 %	■ Hill Samuel ....§	9 %
Arbuthnot Latham ...	9 %	C. Hoare & Co. ....†	9 %
Associates Cap. Corp.	10 %	Hongkong & Shanghai	9 %
Banco de Bilbao	9 %	Kingsnorth Trust Ltd.	11 %
Bank Hapoalim BM ...	9 %	Knowsley & Co. Ltd. ...	9½%
BCCI	9½%	Lloyds Bank	9 %
Bank of Ireland	9 %	Mallinhall Limited ...	9 %
Bank Leumi (UK) plc	9 %	Edward Manson & Co.	10½%
Bank of Cyprus	9 %	Midland Bank	9 %
Bank Street Sec. Ltd.	11 %	■ Samuel Montagu	9 %
Banque Belge Ltd. ...	9 %	■ Morgan Grenfell	9 %
Banque du Rhone	9½%	National Westminster	9 %
Barclays Bank	9 %	Norwich General Trust	9 %
Beneficial Trust Ltd...	10 %	P. S. Refson & Co. ...	9 %
Bremar Holdings Ltd.	10½%	Roxburghe Guarantee	10 %
Brit. Bank of Mid. East	9 %	Royal Trust Co. Canada	9 %
■ Brown Shipley	9½%	Slavenburg's Bank ...	9 %
Canada Perm't Trust...	10 %	Standard Chartered ...‖	9 %
Castle Court Trust Ltd.	9½%	Trade Dev. Bank	9 %
Cavendish Gty Tst Ltd.	10½%	Trustee Savings Bank	9 %
Cayzer Ltd.	9½%	TCB	9 %
Cedar Holdings	10 %	United Bank of Kuwait	9 %
■ Charterhouse Japhet...	9½%	Volkskas Intl. Ltd. ...	9 %
Choulartons	10½%	Whiteaway Laidlaw ...	9½%
Citibank Savings ......¶	10 %	Whiteway Laidlaw ...	9½%
Clydesdale Bank	9 %	Williams & Glyn's	9 %
C. E. Coates	10 %	Wintrust Secs. Ltd. ...	10 %
Comm. Bk. of N. East	9 %	Yorkshire Bank	9 %
Consolidated Credits...	9½%		
Co-operative Bank ......*	9 %		
Corinthian Secs.	9 %		
The Cyprus Popular Bk.	9 %		
Duncan Lawrie	9 %		
E.T. Trust	9 %		
Exeter Trust Ltd.	10 %		
First Nat. Fin. Corp.	12 %		
First Nat. Secs. Ltd.	11½%		
Robert Fraser	10½%		
Grindlays Bank ....‡	9 %		
■ Guinness Mahon	9 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 5.5%, 1 month 5.75%. Short-term £8,000/12-months 8.1%.
† 7-day deposits on sums of: under £10,000 5½%, £10,000 up to £50,000 6¾%, £50,000 and over 7%.
‡ Call deposits £1,000 and over 5½%.
‖ 21-day deposits over £1,000 6½%.
§ Demand deposits 5½%.
¶ Mortgage base rate.

UK COMPANY NEWS

Caird loss increases to £156,260

DIFFICULT trading conditions experienced in the year to January 29 1982, have continued into the first half of the current year at A. Caird & Sons, the Scottish retailer of clothing and sports goods. In the 26 weeks to July 30, pre-tax losses increased from £125,521 to £156,260, and turnover was down 11 per cent from £1.21m to £1.08m.

The board says that since 1981, certain branches and departments have been closed, but turnover has been maintained in the comparable trading areas. Again no interim dividend is being declared—a payment of 10p net per £1 share was made in July, and since then the shares have been sub-divided into 25p shares and a one-for-one scrip issue made.

Results for the second half will depend, to a great extent, on the Christmas season. The directors say that trading since the end of July has been mixed. August and September showed some sign of improvement in turnover levels, but October proved to be a continuation of the poor trend earlier in the year.

The cash subscription of £603,000 and the issue of new ordinary shares in the company to Parque Investment Company giving it a shareholding of approximately 37 per cent, was completed on July 12. Accordingly, the results for the period under review do not reflect Parque's involvement.

There was a first-half trading loss of £147,037 (£92,036). The pre-tax loss was after interest paid less received of £9,223 (£33,485). There was a tax charge of £735 (same), and after preference dividends unchanged at £1,715, and an extraordinary credit last time of £39,644, there was an attributable loss of £158,710 compared with £89,327. The loss per £1 share was 5.9p (5p).

On a CCA basis, there was a pre-tax loss of £163,000.

Attributable losses lower at Spong

Attributable losses at Spong Holdings were cut from £110,000 to £65,000 in the first half of 1982. Sales of this housewares and filter manufacturer and printer improved from £472,000 to £486,000. The attributable loss was after interest charges down from £64,000 to £54,000 and extraordinary debits of £32,000 against £63,000.

The sale of Crompton Close was completed in early September. The company has also received £492,000 before expenses, representing proceeds of the rights and subscriptions of 49,200,000 "A" ordinary shares, of which 94 per cent was taken up by shareholders.

In addition, NatWest has subscribed in full for £150,000 of redeemable cumulative preference shares. The reorganisation proposals have, therefore, subject to Court approval to the capital reduction, been completed, and, as envisaged, the company has no bank indebtedness and a healthy cash balance.

The company is now in a position to look ahead to promote its existing business interest and to extend and re-organise the range of products.

To this end in late October the board concluded the purchase of the Brigade Products range, including the UK and European distribution agency for the Vinicool wine cooler, while during the last quarter, the company will benefit as its indebtedness has been extinguished and the extraordinary costs of the past will no longer be incurred.

The full benefit of the reorganisation programme will not begin to be felt until early 1983.

Decline at Sungei Bahru Rubber Estates

Pre-tax profits of Sungei Bahru Rubber Estates fell by £78,361 to £43,819 during the year to June 1982 on turnover of £821,807 against £798,055.

The final net dividend has been reduced from 1.6p to 0.75p per 10p share making a total of 1.25p compared with 2.35p last time. Earnings per share are stated as 1.52p against 3.28p.

The company, which produces rubber on plantations in Malaysia, reports a trading surplus of £103,766 (£181,568), and investment income of £44,644 (£49,038).

Replanting and replacement took £104,591 against £108,426. There was a UK and Malaysia tax charge of £4,264 (£37,228) leaving net profits after tax of £39,555 against £84,952.

Profits retained by the company fell from £23,982 to £7,131.

Anglo American Agriculture sharply ahead

Pre-tax profits of Anglo American Agriculture, formerly Scottish Ceylon Tea Company, rose to £82,616 for the six months ended June 30, 1982, an improvement of £62,651 on the figures returned for the same period last year.

Mr D. H. Pinsent, the chairman, says the figures reflect high interest rates during the half year before the bulk of the funds were invested (interest received amounted to £56,860, against £10,033) together with the effect of the pound weakening against the dollar.

Income from the vineyard in the Santa Clara Valley in California is receivable in the second half following the harvest and the results for that period will be largely dependent on the yield and price of the grape harvest.

Income for the first half totalled £58,599 (£11,973) from which expenses took £21,490 (£5,775) and exchange gains added £44,576 (nil). There was also a £931 profit (£3,094 loss) on sales of investments.

Tax rose from £2,436 to £14,237, leaving net profits of £68,379, compared with £17,529 which included an extraordinary credit of £16,861, being additional compensation received in respect of assets in Sri Lanka which were nationalised in 1975.

Stated earnings per share amounted to 2.33p, against a previous loss of 0.07p.

Huntley & Palmer passes pref. dividends

Huntley and Palmer Foods is omitting dividends on its 3.65 per cent preference shares and its 5.4 per cent second cumulative preference shares due December 31.

The group passed its interim dividend on the ordinary shares in October following a pre-tax loss of £5.4m for the 36 weeks ended September 12.

Huntley and Palmer is currently subject to an agreed bid from Nabisco Brands. Terms are one common share for every 20 ordinary or 107p cash per share. There is also a cash offer for the preference shares.

RESULTS AND ACCOUNTS IN BRIEF

BPM HOLDINGS (newspaper publisher)—*Results for 53 weeks to July 3 1982* reported October 14. Shareholders funds £30.32m (£23.84m), loans £3.95m (£1.71m); fixed assets £28.36m (£15.16m); net current liabilities £271,000 (£435,000 assets) including bank overdrafts £6.83m (£4.42m); decrease in net liquid funds £2.4m (£3.61m). Meeting, Birmingham, November 24, 12.30 pm.

MAJEDIE INVESTMENTS—Results for year end September 30 1982. Gross income £1.08m (£1.09m). Pre-tax profit £899,598 (£946,615). Tax £251,483 (£325,538). Net profit on sales of investments £722,521 (£525,365). Extraordinary debit nil (£13,274). Attributable profit £1.37m (£1.13m). Earnings per share before profits on sales of investments 4.18p (4.00p) and including 8.84p (7.39p). Net asset value per share 87.47p (99.86p). Dividend 3p net (2.75p).

SCOTTISH AND MERCANTILE INVESTMENT—Results for the year ending March 31 1982 reported on October 13. Shareholders funds £5.54m (£4.99m); investments £5.38m (£4.75m). Treasury bills £2.2m (£4.11m); net current assets £830,166 (liabilities £372,396), decrease in net liquid funds £715,862 (increase £4.95m). Meeting: London EC, *November 22 at noon.*

PEACHEY PROPERTY CORPORATION—Results for the year ended June 24 1982 reported on October 20 1982. Investments £87.06m (£81.35m); current assets £4.02m (£3.39m); current liabilities £8.09m (£7.16m); shareholders' funds £89.23m (£83.61m); net liquid funds £828,000 increase (£4.03m reduction). Payment to former director £17,500. Meeting: London SW on November 29 1982 at noon.

NORWEST HOLST HOLDINGS (civil engineer)—Results for year ended March 31 1982 reported July 24. Shareholders' funds £20.73m (£14.31m); net current assets £303,000 (£2.36m); fixed assets £17.97m (£16.04m); compensation for loss of office as director of a subsidiary company £13,000 *(nil)*. Company is wholly-owned by Dunham Mount Holdings. Meeting: Altrincham, Cheshire, on November 18, noon.

GOODWIN (engineer and metal processor)—Results for year to April 30 1982 already known. Shareholders' funds £2.41m (£1.92m); term loan £353,964 (nil); fixed assets £1.23m (£1.19m); net current assets £1.32m; decrease in net liquid funds £486,765 (£440,371 increase). Meeting: Brassington, Derbyshire, November 24, 3.00 pm.

CHUBB HOLDINGS (71.7 per cent-*owned South African subsidiary of* Chubb and Son)—Company suffered from narrower margins in the six months ended September 30 1982. Turnover *rose* 20 per cent while trading profit before tax rose by 4.4 per cent to R2.26m. The company's activities *related to the building industry* suffered from more difficult trading conditions. However, management says that order inflow is according to expectation and that provided there is no further downturn in the economy satisfactory results are expected for the rest of the financial year. Interim dividend 6 cents. Earnings per share 21.9 cents (25.5 cents).

SHILOH SPINNERS (yarn spinner and protective clothing maker)—For half year to October 2 1982: Interim divi-*dend 0.75p (nil) net per 25p share:* turnover £4.58m (£4.45m); pre-tax profits £206,000 (£286,000 losses); depreciation £52,000 (£56,000); bank interest £47,000 (£45,000); extraordinary debit nil (£228,000); tax £102,000 (nil).

P. PANTO (wholesale tobacconist, confectioner and grocer)—For 24 weeks to June 11 1982, turnover £12.84m (£11.52m); trading surplus £21,000 (£116,000); cost of finance £105,000 (£104,000); pre-tax losses £84,000 (£12,000 profits); tax nil (same); extraordinary debit nil (£15,000); stock uplift after Budget increase on tobacco duty £28,000 (£253,000); surplus on property sales *nil (£26,000); total losses £56,000* (£276,000 profit).

CIA SOUZA CRUZ INDUSTRIA E COMERCIO (a BAT Industries 75 per cent-owned Brazilian subsidiary)—Before the figures are consolidated into *BAT's results they must be adjusted* to bring them into line with UK accounting principles. The results for the nine months to September 1982 reflect a consolidation of the improved performance noted in BAT interim results published in September 1982. The currency is Brazilian Cruzeiros (£1 = 371 Cruzeiros). Turnover 431,693 (in m.) (130 per cent increase on 1981); tax on sales 332,134 (up 133 per cent); net turnover 99,559 (up 119 per cent); pre-tax profit 26,888 (up 141 per cent); *income tax 12,468 (up 116 per cent);* net profit 24,420 (157 per cent); interim dividend to June 9,014 (up 219 per cent). The directors say the cigarette market volume was affected in 1981 by a 96 per cent inflation rate, economic recession and frequent price increases. *However, they say that the* recovery experienced in 1981 has extended into 1982 despite an increase in the proportion of sales taxes. They add that the company has maintained its market share.

DELYN PACKAGING—Group turnover for six months to August 1 1982 £1.37m (£2.2m). Profit £2,000 (loss £40,000). Operating figures reflect the consolidation of activities within the group and *although no interim is being recom-*mended projections indicate that profits for the full year will at least be as good as last year's £157,000 before tax. Chairman is confident that the final result for 1982-83 trading period will enable the declaration of a dividend in excess of the 1p net paid last year. The snow in January 1982 caused the reduction in turnover and accelerated the decision to cease production of printed point of sale cartons. Board is currently investigating alter-*native areas of investment to broaden the base of the company's existing* activities.

STEWARD ENTERPRISE INVESTMENT COMPANY — Gross income £60,000 (£201,000) for six months to Septem-*ber 30, 1982. Interest and expenses* £46,000 (£45,000). Pre-tax revenue £14,000 (£156,000). Tax £4,000 (£87,000). Net revenue £10,000 (£69,000). The company intends to continue to increase the equity proportion of the portfolio although the economic recovery is expected to be slow and difficult in most of the major economies.

CAPITAL GEARING TRUST—Results for the half year to October 5, 1982. Pre-tax losses £2,670 (£3,003); net assets for ordinary share capital £784,612, equivalent to 70.4p per ordinary share (64.1p at April 5, 1982), directors estimate net assets per ordinary share to be 75p at November 3 1982.

ENGLISH PROPERTY CORPORATION (ultimate holding company is Olympia & York Developments, of Canada)—No dividend (same). Group profits £3.4m (£4.2m) for year to June 30 1982. After all charges including tax £0.8m (credit £1.8m), profit attributable £3.5m (£4.4m). Earnings per share 3.4p (4.2p basic and 4p fully diluted).

SCOTTISH ONTARIO INVESTMENT COMPANY—Interim dividend 1p (1p). Total income £911,000 (£799,000) for six months to September 30 1982. Interest £6,000 (same). Management expenses £70,000 (£59,000). Pre-tax revenue £835,000 (£734,000). Tax £341,000 (£273,000). Earnings per share 1.76p (1.64p). Net asset value per *share after deducting prior charges at* par, 113.2p (102.7p), at market value 114.4p (104.2p). The second half has begun with an encouraging rise in the market values of American and British investments. In most other countries the low level of world trading is having a depressing effect upon currencies and stock markets. However, the company expects this uncertainty to provide attractive opportunities for investment overseas.

DANAE INVESTMENT TRUST—Net asset value per share as at October 31, 1982 was 42.37p.

JOVE INVESTMENT TRUST—Net asset value per share as at October 31, 1982 was 2.5p.

DIXOR-STRAND (Cosmetics manufacturer)—No interim. Sales £338,000 (£255,000) for six months to March 31, 1982 profit before tax £11,000 (loss £75,000). Tax recovered 7,000 (nil). Extraordinary debit nil (£12,000). Earnings per share 0.22p (loss 0.19p). While the company has returned to profits, there have arisen certain conflicts between the two main shareholders which makes it difficult to forecast the future. The board is hopeful that the problems can be resolved and that the company's pro-*gress will be maintained.*

COMPANY NOTICE
ALLIED IRISH BANKS LIMITED

Notice is hereby given that the ordinary share *register* of the company will be closed from 29th November 1982 to 3rd December 1982, both days inclusive, for the purpose of preparing warrants for an interim dividend on account of the year ending 31st March 1983, *which will be posted to shareholders* on 14th December 1982

By order of the board
D. B. Motyer Secretary

Bank Centre
Ballsbridge, Dublin 4
9th November, 1982

HOUSE SALES IN BRITAIN

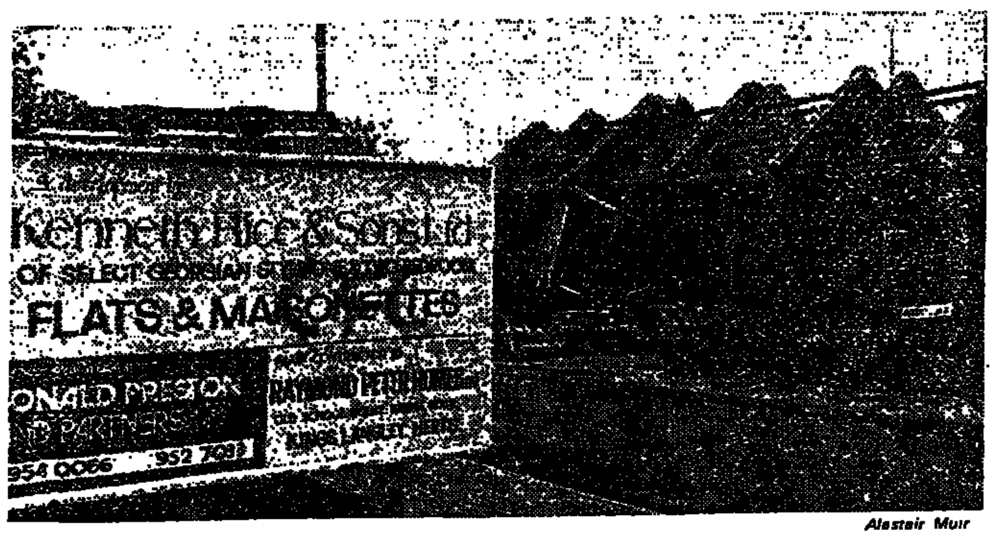
Why the market is so sluggish

By Mary Ann Sieghart and Andrew Taylor

AT FIRST glance you might expect Britain's estate agents to be rubbing their hands with glee: the building societies are set to announce another big mortgage rate cut this week; house prices, in relation to earnings, have not been so cheap for 10 years, and there is plenty of mortgage money available.

In short, the house buyer is enjoying the most favourable market conditions for many years.

Yet demand for both new and second-hand houses is sluggish, and prices, while beginning to increase in some regions, are lagging behind inflation and average earnings. A recovery may be under way, but it is slow and extremely patchy.



Alastair Muir

New homes for sale in Middlesex

Big "volume" builders, such as Wimpey and Barratt, expect their sales of new houses to be up generally by about 15 to 20 per cent this year, mostly in the first-time buyers' market — the smaller, cheaper, home.

But many companies still have a large backlog of properties on the market and smaller builders, which cannot compete with the gimmicks and give-aways of their larger rivals, are facing serious problems — particularly those which have tended to concentrate on more expensive houses.

So why is the market so sluggish? The reasons are complex but most of them boil down to a lack of faith in the economy.

At least half the people who move house in the UK do so not from necessity but from the desire for a change — they would like to have an extra bedroom or move to a better area.

The current economic climate has dampened these ambitions. People cannot be sure their earnings will keep pace with inflation or even that they will keep their job.

"The residential housing market has always depended on the confidence of the man in the street about his future," says one Leicester agent. "And if people think they might be made redundant or put on short time they decide to sit tight."

Yet the ratio of average house prices to average earnings now stands at 2.96, the lowest for 10 years. At the end of 1979, it was 3.69, but since then, house prices have risen by only 13 per cent, much less than either prices or wages.

The spread of sales clearly shows the impact of unemployment. London and the Home Counties, least badly hit by the recession, show the biggest increase, while in the far North and the depressed areas of the Midlands, demand has hardly picked up at all.

The most buoyant section of the market is in homes for the first time buyer and the big volume builders are determined to increase their share of it.

Buyers are being offered a myriad of special deals by the big builders. Homes can come complete with carpets and curtains and even, in one case, have the 'fridge thrown in. The company will arrange a 100 per cent mortgage, sometimes at subsidised rates.

Part-exchange schemes for buyer's house

Some 70 per cent of Barratt's turnover comes from the first-time purchaser. At Wimpey the proportion has increased over the last year from just over half to nearly three-quarters. Middle-range houses are more difficult to sell unless the company is prepared to run a part-exchange scheme for the buyer's old house — a practice which looks like remaining a feature of the market for some time to come.

Movement at the bottom end of the market has pushed up the volume of sales. All the big companies have seen an improvement over last year—as much as 40 per cent for John Laing. But Wimpey points out that this will not necessarily mean a proportionate increase in the volume of sales.

For the smaller company, matters are much grimmer. Deepest in trouble are builders of middle- to top-range houses, particularly in the North.

Mr Peter Short, who runs JAB Short Ltd of Chesterfield and works predominantly in the north-east Midlands and south Yorkshire, had about 300 houses under construction two years ago; now the figure is nearer 80. He does not exactly feel elbowed out by the larger firms, but he does feel at a disadvantage. "Larger national developers can do give-aways, which smaller builders cannot get involved in. And we also cannot do part-exchange," he says.

Mr John Ashworth, chairman and managing director of Hurstwood Developments, which operates near Burnley and Bury, says he had hoped for an upturn in demand at the beginning of the year: "I carried on building and it looks like I made a mistake," he admits. He now has £1.3m-worth of property to sell—work in progress in a more healthy economic climate, when houses are easier to shift, usually only amounts to about £300,000.

Until last March, the company could sell its large, expensive houses at the rate of about one a month. Since then, only one has been sold. "If I did part-exchange," says Mr Ashworth, "I could sell every house I have."

He is pessimistic about profits. "If I can just cover my overheads, which I have already reduced by 40 per cent this year," he says, "I'll be a happy man."

The growth in housing starts is normally used as a measure of the degree of underlying optimism in the building trade. The number of new private starts made in the first eight months of 1982 were up by 20 per cent and the industry looks as if it will make about 135,000 starts this year compared with 116,000 in 1981 and only 98,000 in 1980. This would still be below the 157,000 and 144,000 starts made in 1978 and 1979 and well below the housing boom years of the early 1970s.

Lending record sums

There is a strong demand for mortgages. Even though the clearing banks now provide nearly 40 per cent of new mortgage loans, building societies have also been lending record sums.

However, a number of borrowers appear to have been refinancing their mortgages, and spending at least part of the proceeds on other things, such as consumer durables, or simply to boost family cash flow.

This can be done indirectly by keeping back some of the proceeds from a house sale and taking out an increased mortgage to cover the difference when buying a new home. A more direct approach would simply be to borrow more than actually needed—say for a home improvement—and spend part of the money on something else and hope that the bank or building society does not check.

Take an example: someone "trades up" from a house worth £25,000 to one worth £45,000. If he borrows more than he needs to cover the difference—say, £25,000—he is left with £5,000 in his pocket. He can then spend this—on a new car, perhaps, or on household equipment. It is perhaps no coincidence that the increase in mortgage flows in the last couple of months has been accompanied by rising consumer expenditure, particularly on consumer durables.

The fact that three of the "big four" banks are now cutting back on mortgage lending could slow down the flow of mortgage funds.

But even if money remains readily available, this will not be enough on its own to give the market a substantial boost. In the view of some agents, falls in the mortgage rate will make very little difference either, *except to the first-time buyer*. They argue that until confidence in the economy pick up, we are unlikely to see much improvement in demand and therefore house prices.

Yet most of the big builders are relatively cheerful about the future.

Mr John Attenborough, marketing director of Wimpey, says: "We are optimistic about next year. We will move into 1983 with a lower mortgage rate and a good mix of house types. It should be a much more buoyant year."

A London estate agent, Mr Robert Maunder Taylor, adds: "We are all hoping that, come the spring, the economy will pick up, and if confidence flows back, we're set for a pretty good jump." Such hopes were high last spring too: will they be dashed again?

APPOINTMENTS

Senior post at Rugby Portland

Mr A. H. Teare, general manager—Europe of Cement Roadstone Holdings, Dublin, is to become deputy managing director of RUGBY PORTLAND CEMENT on February 1.

★

Mr Nils Taube, previously senior partner of Kitcat & Aitken, stockbrokers, will join the board of RITN and will become chief executive of J. ROTHSCHILD INVESTMENT MANAGEMENT, investment management subsidiary of RITN. Mr Peter Nuttall is the new senior partner of Kitcat.

★

Mr George McKenzie has been elected to the board of the GUARDIAN BUILDING SOCIETY.

★

Mr Ian McIntyre, former chief executive of Noble Lowndes and Partner, has been appointed a director of MARTIN CURRIE INVESTMENT MANAGEMENT.

★

Mr M. Victor Blank has been appointed to the group executive committee of the CHARTERHOUSE GROUP. He is head of corporate finance, Charterhouse Japhet.

★

Sir John Eden has been appointed chairman of GROUP FIVE HOLDINGS. Group Five is the company planning the WonderWorld theme park and *related industries development* at Corby. Sir John was Minister for Industry and for Post and Telecommunications.

★

WARD AND GOLDSTONE has restructured its operations. With the exception of its auto activities the company has regrouped its activities into an accessories group and a cables group. Mr John C. Williams, a main board director, takes responsibility for the accessories group which comprises the present accessories, connectors and electronics divisions. Mr John C. Dixon has been appointed a main board director with overall responsibility for the cables *group comprising the general* cables, special cables and plastics division. Mr Dixon was director and general manager of GEC Optical Fibres.

★

Mr Derek Coldwell has been appointed marketing director of HUSQVARNA, Luton-based associated company of Electrolux.

★

Mr W. Taylor Allen will be retiring next year as managing director and register of DOVER HARBOUR BOARD. He will be succeeded by Mr Jonathan Sloggett, currently deputy managing director, from August 1983. The *director of engineering*, Mr W. B. Keith, will succeed Mr Sloggett as deputy managing director and Mr J. S. Gerard is appointed the new director of engineering. Mr A. C. Kenward, currently head of planning services is to be appointed to a new post as special projects adviser.

★

Mr S. N. Clayton, chief engineer surveyor to LLOYD'S REGISTER OF SHIPPING since 1976, is to retire at the end of December. He will be succeeded by Mr C. Archer, senior principal surveyor, machinery design appraisal and plan and torsional vibration approval department. Mr Archer joined Lloyd's Register of Shipping in 1966 and was appointed senior principal surveyor in charge of machinery design appraisal and plan and torsional vibration department in 1980.

★

REED REGIONAL PUBLISHING, holding company formed by Reed Publishing for its recently acquired provincial newspaper interests has appointed Mr Anthony John Boore to the board. He is managing director (designate) of Northern Counties Newspapers (previously St Regis Newspapers) and executive chairman of Northern Counties Newspapers (Bolton).

CONTRACTS

£20m order for AOC International

AOC INTERNATIONAL has won a hook-up contract on the Upper Zakum oilfield in the Arabian Gulf. The contract, worth about US\$35m (£20.8m), has been awarded by the Zakum Development Company, on behalf of the Abu Dhabi National Oil Company. The hook-up will be carried out by AOC in conjunction with NPCC of Abu Dhabi. The work involves the hook-up of 15 platforms, and *includes* project management, supply of all marine vessels, equipment and labour, and provision of an onshore base and fabricating facility.

★

RAYTHEON COMPANY'S submarine signal division has been awarded a \$24.8m (£14.6m) contract by the U.S. Navy for full-scale engineering development of an advanced minehunting sonar system (AMSS). Raytheon is teamed with Thomson-CSF of France, a leader in minehunting sonar development and production. Major subcontractor to the team is the Charles Stark Draper Laboratory of Cambridge, Massachusetts. The AMSS will significantly increase the navy's capability to detect and classify mines. It is scheduled to be installed on newly-constructed minesweepers designated as MCM-1 and MSH-1.

The new system consists of two separate sonars, a search sonar for initial detection and a high frequency, high resolution sonar for classification of the targets. The two sonars are partially housed in a hydrodynamically shaped vehicle and towed at various speeds by a minehunting ship.

★

JAMES DREWETT AND SON has a £400,000 contract for the construction of 22 self-contained dwellings, complete with alterations to the kitchens and gymnasium at the YMCA, Westover Road, Bournemouth.

★

STEIN ATKINSON STORDY has won a £3.5m contract to supply high technology aluminium melting plant to Australia. The order has been placed by Colmaco Aluminium of Sidney and the plant is expected to be the world's first computer-controlled aluminium remelting facility which requires minimum manual control. The new plant will be for the production of aluminium sheet used in the manufacture of beer and soft drink cans.

★

Neale House (Europe) has awarded a £2.5m contract to SIR ROBERT McALPINE & SONS for the construction of an office block in Eastern Road, Romford. Founded on 14 metre-deep piles, the complex of two 10 metres high brick-clad reinforced concrete structures linked by a central area will together offer 5,100 sq metres of centrally heated floor space and be served by two passenger lifts. Work has started with completion programmed for December 1983.

★

VG ANALYTICAL, Altrincham, which makes magnetic sector mass spectrometers for organic chemical analysis has signed contracts totalling nearly £2m with the China National Technical Import Corp in Peking. The funds for the purchase are part of a World Bank loan for the re-equipment of China's technical universities.

★

Warehouse alterations and additions costing £1.3m are to be undertaken by HENRY BOOT SCOTLAND for Graham Builders Merchants (North) at its Glasgow premises. The main work involves the formation of a showroom and trade counter, and construction of a despatch/receiving area, offices and garage. Included *is upgrading* existing and installing heating facilities, plumbing and electrical installations and other services as well as general alterations and repairs. Work has started on the 12-month contract.

COMMODITIES AND AGRICULTURE

Orchard replanting grants offer

REPLANTING grants will be offered to British apple and pear growers to help them modernise their orchards and introduce new varieties, Mr Peter Walker, the Agriculture Minister, announced yesterday.

The scheme is expected to cost about £5m over the next five years.

Grants of 22½ per cent and 32½ per cent of capital expenditure currently offered under two existing schemes for orchard grubbing will be made available for replanting. They will not be available for the planting of additional orchard areas and will be limited to varieties judged to be commercially viable in the long term.

● WEST GERMAN tea consumption is expected to remain static this year, following rises to 47.6 litres per head in 1980 and 49.7 litres per head in 1981 (provisional). The key indicator of consumption, tea tax, fell 0.4 per cent in the first nine months of this year compared with the previous year. Consumption of fruit juice, on the other hand should rise strongly from the provisional figure of 20.6 litres per head in 1981 and 18.5 litres in 1980, according to the IFO economic research institute.

● THAILAND'S exports of raw sugar in the first nine months of this year rose 101.1 per cent to 1.73m tonnes, according to the Thai Board of Trade. China headed the list of customers, taking 519,572 tonnes, followed by the Soviet Union (409,247) and Japan (337,794).

●THAI rubber exports in the first nine months of 1982 rose 15.6 per cent to 396,847 tonnes, but in spite of this growth, the Thai Board of Trade said its income dropped in this period by 16.8 per cent to $300.3m.

● BILLS of lading covering coffee shipments from Tanzania to Japan have been stolen en route from the port of Tanga to Moshi in Tanzania, the coffee group Edmund Schluter has said.

Sharp fall in cash copper

BY JOHN EDWARDS, COMMODITIES EDITOR

COPPER prices dropped sharply on the London Metal Exchange yesterday following the disappearance of the recent shortage of spot supplies. The cash price for high grade copper fell by £33 to £871 a tonne, moving to a discount below the three months quotation which closed £20.5 lower at £881.75. Last week the cash price was £11 above the three months quotation at one stage.

The sudden collapse in the cash price, which took dealers by surprise, came when the market was already under pressure from the easier trend in gold and receding hopes of further interest rate cuts in the U.S. after Friday's increased money supply figures.

Increased offerings of spot supplies met with little buying interest, and dealers felt that the withdrawal of the recent cash price support may well have resulted from disappointment over the failure of U.S. interest rates to decline further.

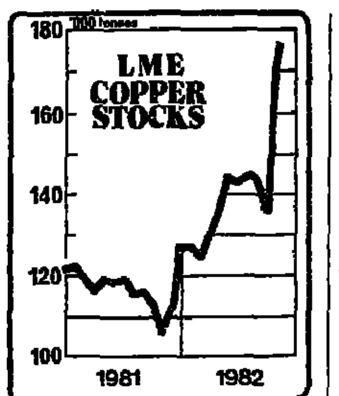
An additional depressing influence was another substantial rise in copper stocks held in LME warehouses, which rose by 5,175 tonnes last week to a total of 176,225 tonnes—the highest level since July 1979.

Zinc stocks were also up by 2,000 to 93,800 tonnes and nickel by 384 to 3,276 tonnes. Both markets lost ground, with cash nickel closing £41.5 lower at £2,103.5 a tonne, the lowest level since the futures contract was launched in April 1979.

Tin stocks fell by 1,280 to 34,090 tonnes and prices were held steady by buffer stock support buying in both London and Penang overnight. Lead stocks were also down by 1,575 to 124,000; aluminium by 550 to 217,550 tonnes and LME silver holdings by 80,000 to 36,690,000 ounces. Gold stocks held in the approved vaults of the London gold futures markets were unchanged at 128,311 ounces.

Turnover on the London gold futures market jumped to 2,056 lots (of 100 ounces each) as prices dropped, with the December position closing $12.95 down at $407.85 an ounce. The London bullion spot price was $13.5 lower at $406.5.

Silver halted its recent upsurge and followed the decline in gold. The London bullion spot price was cut by 17.5p to 616.90p a troy ounce at the morning fixing.



UK meat futures studied

By Richard Mooney

TALKS ON the formation of a UK meat futures market are to be held early next year, the Meat and Livestock Commission (MLC) announced yesterday.

It said industry meetings were to be arranged by the Grain and Feed Trade Association (GAFTA) and the MLC following preliminary discussions last week between representatives of the meat industry, commodity traders, advisers and officials at Wye College, Kent.

Prospects for meat futures were examined in the light of GAFTA's experience of similar ventures for grain and potatoes, both of which have resulted in firmly established markets.

NZ meat takeover not permanent

By Dai Hayward in Wellington

THE New Zealand Meat Board believes it will be able to return the ownership and marketing of lamb and mutton to private enterprise after the present two-year period of board control. This was stressed by the chairman of the board Mr Adam Begg at a meeting representing all New Zealand farmers yesterday.

Earlier agricultural minister Duncan MacIntyre denied that the Board's decision to purchase all NZ lamb and mutton for two years was the prelude to establishing a Meat Marketing Board. There had been no discussion with anybody suggesting a meat marketing board should be set up at the end of the two year period, says Mr MacIntyre.

Shortfall in Czech harvests

BY LESLIE COLITT IN BERLIN

CZECHOSLOVAKIA'S grain harvest has fallen short of earlier estimates that it would be a record 11m tonnes, so raising import needs for fodder to well over 1m tonnes. Prague is likely to have to pay scarce hard currency for the grain as western grain exporters are reluctant to give supplier credit to COMECON countries.

The Czechoslovak news agency quoted a Prague official as saying grain output fell 7 per cent short of the 11m tonne goal.

Last year Czechoslovakia had a poor grain harvest of 9.5m tonnes which caused fodder imports to rise to a record 1.4m tonnes in 1982-83. It had been thought this amount could be reduced this year and next to between 600,000 and 800,000 tonnes.

The Czechoslovak official said the grain shortfall resulted from bad weather and a smaller than planned area sown. He noted that the rape seed harvest, the main source of cooking oil, was 20 per cent below target and that the potato crop also fell below expectations.

W. German grain surplus

FRANKFURT — The amount of grain accepted into West German intervention stocks by the end of October rose 30 per cent to 1.37m tonnes from 955,300 tonnes a year earlier, the Federal Agricultural Marketing Board (BALM) said.

This compares with the 1.14m tonnes accepted by mid-October this year.

Soft bread wheat accounted for the majority of the grain, with stocks totalling 1.19m tonnes against 695,000 a year earlier and 973,000 in mid-October this year.

The deadline for offering bread wheat into intervention has now passed, but the total finally accepted could change as some wheat is still being tested for quality.

Reuter

MEXICO

Poor harvest brings another crisis

BY WILLIAM CHISLETT IN MEXICO CITY

MEXICO, battling with a $80bn deficit, is now also facing a critical situation in agriculture.

Total crop production could fall by as much as 40 per cent this year because of drought and a sharp decline in government financial assistance. As a result food imports in 1983 may rise to an estimated 11m tonnes, worth about $2bn, compared to 4m tonnes in 1982.

After a record harvest in 1981 of 28.6m tonnes, according to official figures, and virtual self-sufficiency in maize, Mexico faces the prospect of importing 6m tonnes of maize next year and 4m tonnes of sorghum, according to U.S. estimates.

Water levels in dams range from 25 per cent to 70 per cent of capacity depending upon the region of the country, compared to an average 50 per cent in 1981.

Only 30m hectares of Mexico's total land space of 197m hectares, a mere 15 per cent, is potentially arable land because of the mountainous and barren topography. Of the 30m hectares, only 15m is currently cropped, 5m of it under irrigation. Drought, therefore, has a devastating effect on the majority rain fed areas.

Fortunately for Mexico, the food crisis comes at a time when there is a big surplus of grains in the U.S. and a genuine disposition on the part of Washington to help its neighbour.

The U.S. Department of Agriculture's Credit Corporation granted Mexico in August a $1bn crop imports financing package and this line of credit could be increased.

Even so the poorest segment of Mexico's 73m population will be more hungry next year. Nutritional standards, already well below the international norm, will decline even further. Agriculture accounts for 8.5 per cent of the gross domestic product but 40 per cent of the population lives in the countryside.

The dramatic turnaround in Mexico's agricultural sector underscores the failure of the government's measures to boost food output under a programme known as SAM, the acronym for Mexican Food System. The government, of course, has no control over the weather but its own policies have not been a success.

SAM was officially unveiled in March 1980 when President Jose Lopez Portillo declared food self-sufficiently to be a national goal.

His decision was partly spurred by the U.S. embargo on grain supplies to Moscow as a punitive measure against the Russian invasion of Afghanistan. Mexico feared that the more insecure its food position became the more vulnerable it would be to the "food weapon."

SAM was also a politically expedient tool for the government to exercise greater control over the peasant class, whose standard of living has not greatly improved in the last 50 years.

SAM's basic philosophy was simply to pour resources into the countryside on an unprecedented scale and subsidise, already inefficient production methods. When SAM started Mexico's oil prices were high and the country had not borrowed itself into a hole.

Now, two years later, with oil prices depressed and a massive overseas debt, the Government is having to cut back spending on agriculture.

The SAM measures do not represent structural changes. Guaranteed prices for crops have been increased substantially in real terms and a greater volume of credit has been made available, as well as a crop insurance scheme paid for by the government. Producers have also received fertilisers 30 per cent cheaper and improved seed varieties, up to 75 per cent cheaper.

This year, according to Banamex, the newly nationalised bank, government expenditure on agriculture represented almost 50 per cent of agriculture's value added product compared to 40 per cent in 1980.

As the subsidies have decreased, so too has production. For example, the new guaranteed price for soyabeans is 15,300 pesos a tonne, 41.7 per cent higher. But since inflation is now running at 95 per cent, compared to 30 per cent in 1981, the price has declined in real terms.

Nowhere has the turnaround in production been more noteworthy than in the sugar industry. Until 1979 Mexico exported sugar, but since then it has imported increasing amounts with imports next year of at least 700,000 tonnes. The retail price of sugar has not risen since 1980, although inflation has risen over 130 per cent. Sugar mills are becoming more and more run down.

PRICE CHANGES

In tonnes unless stated otherwise	Nov. 8 1982	+ or —	Month ago
Metals			
Aluminium	$810,815	..	£818/815
Free Mkt	$955,985	+5	$850/960
Copper			
Cash h grade	£871	—33	£858.5
3 mths	£881.75	—20.5	£863
Cash Cathode	£825	—20.5	£812.5
3 mths	£846	—18.5	£831.25
Gold troy oz	$406.5	—13.5	$438.5
Lead Cash	£287.75	—1.25	£295
3 mths	£297.25	—1.52	£305.125
Nickel	£4135.5		£4133.5
Free mkt	160.190c		175/205c
Platin'm triy oz	£260		£260
Freemkt	£199.15	—8.55	£201.00
Quicksilver†	$358/365	—3.5	$360/365
Silver troy oz	616.90p	—17.5	529.30p
3 mths	629.30p	—17.1	541.60p
Tin Cash	£7427.5	+2.5	£7285
3 mths	£7422.5	+7	£7287.5
Tungsten	$101.18		$106.24
Wolfrm 22.04 lb	$92-96		$96/100
Zinc Cash	£436	—4	£452.75
3 mths	£442.25	—4.5	£461.25
Producers	$800/850		$800/850

	Nov. 8 1982	+ or —	Month ago
Oils			
Coconut (Phil)	$428.5y	+2.5	$410
Groundnut	‡		‡
Linseed Crude	£326	—4	£320
Palm Malayan	$3670x	+5	$355
Seeds			
Copra Philip	$280y	+5	$270
Soyabean (U.S.)	$236.5	+4.25	$216.5
Grains			
Barley Fut. Jan	£111.90	+0.15	£111.80
Maize	£136.00		£131.00
Wheat Fut. Jan	£116.70	+0.15	£115.65
No.2 HardWint	‡		‡
Other commodities			
Cocoa ship't*	£963	+14	£994
Future Mar	£976.5	+12	£1020.5
Coffee Ft' Jan	£1471.5	+5.5	£1364.5
Cotton A.Index	69.30c	—0.1	70.30c
Gas Oil Nov	$303.75	—2	$319
Rubber (kilo)	47.75p	—0.25	48.5p
Sugar (Raw)	£101y	+2	£91
Woolt'ps 64s kl.	362p kilo		368pkilo

‡ Unquoted. x Dec. w Oct-Nov. y Nov-Dec. † Per 16-lb flask. * Ghana cocoa. n Nominal.

LONDON OIL SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)		
Arabian Light	32.70-32.75	—0.13
Iranian Light	30.50	—
Arabian Heavy	30.20-30.40	—0.10
North Sea (Forties)	34.00-34.10	+0.05
African (Bonny Li'ht)	34.80-35.00	—0.10
PRODUCTS—North West Europe CIF ($ per tonne)		
Premium gasoline	330-336	—5.0
Gas oil	294-305	—1.5
Heavy fuel oil	166-170	—1.5

Renewed strength in the dollar put pressure on the market, which opened around $1.00 lower and eased further in thin volume, reports Premier Man.

GAS OIL FUTURES

Month	Yest'day's close	+ or —	Business Done
	$ U.S. per tonne		
Nov	302.75	—2.50	304.00-02.75
Dec	303.75	—2.00	305.00-03.25
Jan	303.50	—2.25	304.75-03.25
Feb	302.00	—1.50	302.00-01.50
March	296.00	—4.00	296.00
April	291.00	—6.00	—
May	287.50	—0.50	—
June	287.00	—2.50	—
July	288.00	—0.50	—

Turnover: 986 lots of 100 tonnes.

GOLD MARKETS

Gold fell $13½ to $406-407 in quiet London bullion trading. It opened at $410-411, and was fixed at $411.00 in the morning, and $407.25 in the afternoon. The metal touched a peak of $412-413, but drifted down to a low of $405-406, depressed by the strength of the dollar in the foreign exchange market.

In Paris the 12½ kilo gold bar was fixed at FFr 96,500 per kilo ($410.93 per ounce) in the afternoon, compared with FFr 96,500 ($411.29) in the morning, and FFr 98,200 ($420.59) Friday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 34,325 per kilo ($411.98 per ounce), against DM 34 980 ($423.03) previously, and closed at $418-420, compared with $419-420½.

In Luxembourg the 12½ kilo bar was fixed at the equivalent of $413 per ounce, against $422.75 on Friday.

In Zurich gold finished at $405-408, compared with $416-$419.

LONDON FUTURES

Month	Yest'rday's close	+ or —	Business Done
	$ per troy ounce		
November	—	—	—
December	407.50 8.20	—12.95	415.00-07.0
January	410.50 1.80	—12.00	—
February	413.50-4.50	—12.50	421.00-17.0
March	417.00-7.70	—14.40	424.10
April	420.20 1.00	—14.65	425.50-4.50
May	423.20-4.00	—14.40	—

Turnover: 2,056 (1,193) lots of 100 troy ounces.

	Nov. 8		Nov. 5	
Gold Bullion (fine ounce)				
Close	$406 407	(£245¼-245¾)	$419½-420½	(£251½ 252)
Opening	$410 411	(£247½ 248)	$423-424	(£253¼-253¾)
Morning fixing	$411	(£248.039)	$423	(£253.445)
Afternoon fixing	$407.25	(£246.117)	$417½	(£250.826)

Gold Coins Nov. 8					
Krugrnd	$418¼-419¼	(£253 253¾)	King Sov	$96 97½	(£58 58¾)
½ Krug	$215½-216½	(£130½-131)	Victoria Sov	$96 97½	(£58 58¾)
¼ Krug	$109¾-110¾	(£66½ 67)	French 20s	$85½-87¾	(£51¾-53)
1/10 Krug	$44¼-45¾	(£27-27¾)	50 pesos Mex	$495-498	(£299½-301¼)
Mapleleaf	$419½ 421½	(£253½-255)	100 Cor. Aust	$401 405	(£242½-245)
New Sov	$95¼ 96	(£57¾ 58)	$20 Eagles	$465-485	(£281¼-293½)
½ New Sov	$56½ 58½	(£34¼-35½)			

EUROPEAN MARKETS

ROTTERDAM, November 8.

Wheat—(U.S. $ per tonne): U.S. No 2 Red Winter Nov 152, Dec 154, Jan 156. U.S. No. 3 Amber Durum Nov 175, Dec 176, April-May 183, June 185. U.S. No 2 Northern Spring 14 per cent Nov 175.50, Dec 177, Jan 181, Feb 185, March 188, April-May 175.

Maize—(U.S. $ per tonne). U.S. No. 3 Yellow afloat c/f Ghent 118 Nov 115, Dec 114, Jan 114, Feb 116.50, March 117.50, April-June 118.50, July-Sept 124, Oct-Dec 125 sellers.

Soyabeans—(U.S. $ per tonne): U.S. No 2 Yellow Gulfports afloat 233.50, Nov 230.80, Dec 231.75, Jan 235, Feb 238.25, March 240.25, April 241.50, May 243, June 244, July 245, Oct 236.80, Nov 236.80 sellers: Argentine June 239.20, July 239.20 sellers.

Soyameal—(U.S. $ per tonne): 44 per cent afloat 211, Oct 213, Nov 211, Dec 212.50, Jan 213.50, Jan-March 215, April-Sept 211 sellers. Pellets Brazil afloat 222, Oct 219, Nov 219, Dec 225, Jan-March 233, April-Sept 224 sellers.

PARIS, November 8.

Cocoa—(FFr per 100 kilos). Dec 1130/1140, Mar 1178/1190, May 1213/1225, July 1247/1260, Sept 1280/1290, Dec 1325/1335, March 1355/1365.

Sugar—(FFr per tonne): Dec 1485/1488, March 1545/1549, May 1603/1608, July 1633/1640, Aug 1680/1685, Oct 1755/1765, Nov 1756/1765, Dec 1805/1825. Sales at call: 1

BRITISH COMMODITY MARKETS

BASE METALS

BASE METAL prices were generally weaker on the London Metal Exchange, led by Copper, where the tightness that was the feature of last week's trading disappeared. Three months' material fell to close at £878, and the Backwardation of £11 became a Contango of a similar amount. Tin fell steadily, but received good support at £7,415, where it closed. Lead was finally £297.5, Zinc £442.5, Aluminium £596 and Nickel £2,135.

COPPER

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —†
HighGrde	£	£	£	£
Cash	881-2	—33	870.5-1.5	—33
3 months	886.5-7.5	—20.2	881.5-2	—20.5
Settlem't	882	—33	—	.....
Cathodes				
Cash	831.5-2	—18.7	824-6	—20.5
3 months	851-2	—18	845-7	—19.5
Settlem't	832	—19	—	.....
U.S. Prod.	—	.....	*72-75	.....

Amalgamated Metal Trading reported that in the morning higher grade cash copper traded at £883.00, 82.00. Three months £889.00, 88.00, 87.00, 86.00, 85.00, 86.00, 86.50, 87.00, 86.50, 85.00, 86.00, 87.00, 86.50, 88.00, 87.50, 87.00. Cathodes: Cash £830.00. Three months £849.00. Kerb: Higher grade, three months £886.50, 88.00, 86.50, 87.00, 87.50, 87.00, 86.00, 85.00, 85.50, 85.00. Afternoon: Higher grade, three months £878.00, 79.00, 80.00, 79.00, 78.50, 79.00, 78.50, 79.00, 78.50, 80.00, 81.00, 80.50, 81.00, 81.50. Kerb: Higher grade, three months £881, 80, 79.5, 79, 78. Turnover: 24,350 tonnes.

TIN

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grade	£	£	£	£
Cash	7425-30	...	7425 30	+2.5
3 months	7420-5	+5	7420-5	+7
Settlem't	7430	...	—	.....
Standard				
Cash	7425-30	...	7425-30	+2.5
3 months	7420-5	+5	7420-5	+7
Settlem't	7430	...	—	.....
Straits E.	$29.15	...	—	.....
NewYork	—			

Tin—Morning: Standard, cash £7435, 30. Three months £7430, 25, 30, 25. Kerb: Standard, three months £7425. Afternoon: Standard, three months £7420, 15, 20, 23, 20. Kerb: Standard, three months £7425, 20, 15. Turnover: 2,120 tonnes.

LEAD

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	287.5-8	...	287.5-8	—1.25
3 months	297-.5	...	297-.5	—1.25
Settlem't	288	...	—	.....
U.S. Spot	—	...	*25-28	.....

Lead—Morning: Three months £297.50, 97.00. Kerb: Three months £297.00. Afternoon: Three months £297.00. Kerb: Three months £298, 97.5. Turnover: 10,175 tonnes.

ZINC

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	439.25-.5	—5.87	435.5-6.5	—4
3 months	446-.25	—1.82	442-.5	—4.5
Settlem't	439.5	—3.5	—	.....
Primw'ts	—	.....	*40.9-42.75	.....

Zinc—Morning: Three months £446.50, 46.00. Afternoon: Three months £446.0, 45.50, 45.00, 44.50, 44.00, 43.50, 43.00, 42.50. Kerb: Three months £442.5, 43, 43.5, 44, 43. Turnover: 7,775 tonnes.

ALUMINIUM

Alumin'm	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Spot	580.5-1.5	—3.5	582.5-3.5	+.75
3 months	596.5-7	—3	598.5-9	+1.5

Aluminium—Morning: Three months £596.00, 95.00, 95.00, 96.00, 96.50, 96.00. Kerb: Three months £596.00. Afternoon: Three months £596.00, 96.50, 97.00, 97.50, 98.00, 98.50, 99.00, 98.00. Kerb: Three months £598, 99, 601, 02, 03, 04, 04.5, 06, 04.5, 04, 03, 02, 01, 600, 599, 98, 97, 98, 99, 98, 97, 98. Turnover: 35,225 tonnes.

NICKEL

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —†
Spot	2115-20	—47.5	2100-7	—41.5
3 months	2150 2	—46.5	2140-5	—40

* Cents per pound. ‡ MS per kilo. † On previous unofficial close.

Nickel—Morning: Cash £2120. Three months £2150, 60, 55, 50, 45, 50, 55, 60. Afternoon: Three months £2150, 45, 35, 40. Kerb: Three months £2140. Turnover: 612 tonnes.

SILVER

Silver was fixed 17.5p an ounce lower for spot delivery in the London bullion market yesterday at 616 9p. U.S. equivalents of the fixing levels were: spot $10 225, down 35 7c; three-month $10.453, down 34.7c; six-month $10.674, down 36.3c; and 12-month $11 2, down 35.3c. The metal opened at 624-627p ($10 35-10.40) and closed at 613-616p ($10.15-10.20).

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	616.90p	—17.5	613.35p	—21.1
3 months	629.30p	—17.1	625.75p	—20.7
6 months	641.00p	—17.7	—	.....
12months	668.30p	—16.5	—	.....

LME—Turnover 135 (130) lots of 10,000 ozs. Morning: Three months 631.0, 30.0, 30.5, 30.0, 29.5, 30.0, 30.5, 30.3, 30.5, 30.0, 29.5. Kerb: Three months 630.0, 29.50. Afternoon: Three months 624 0, 25 0, 26 0. Kerb: Three months 625, 24, 23

INDICES

FINANCIAL TIMES

Nov. 5	Nov. 4	M'th ago	Y'ar ago
230.44	228.98	229.49	257.73

(Base: July 1 1952 = 100)

REUTERS

Nov. 8	Nov. 5	M'th ago	Y'ar ago
1527.8	1525.4	1503.9	1637.3

(Base: September 18 1931 = 100)

MOODY'S

Nov. 5	Nov. 4	M'th ago	Y'ar ago
985.9	983.7	978.1	998.2

(December 31 1931 = 100)

DOW JONES

Dow Jones	Nov. 5	Nov. 4	Month ago	Year ago
Spot	129.00	129.15	122.66	—
Fut's	135.95	136.69	131.64	—

(Base: December 31 1974 = 100)

COCOA

Futures opened £5.00 higher as due and remained steady throughout the day as trade house and jobber short-covering in the nearby positions caused prices to close at the highs. Actuals business was quiet, reports Gill and Duffus.

COCOA	Yesterday's Close	+ or —	Business Done
	£ per tonne		
Dec	952-53	—14.0	952-41
March	976-77	+12.0	978-67
May	995-97	+10.5	997-89
July	1016-17	+11.0	1017-10
Sept	1033-35	+9.5	1036-26
Dec	1056-60	+9.0	1059-55
March	1076-80	+9.5	—

Sales: 1,798 (1,443) lots of 10 tonnes.

ICCO—Daily prices for Nov 8: 69.47 (68.89). Indicator price for Nov 9: 69.33 (69.39).

COFFEE

In light volume and mixed dealings Robustas maintained early gains throughout a quiet session, reports Drexel Burnham Lambert.

COFFEE	Yest'day's Close	+ or —	Business Done
Nov	1525-28	+3.0	1525-21
January	1471-72	+5.5	1475-68
March	1382-84	+6.5	1387-78
May	1306-08	—3.0	1313-06
July	1258-60	+0.5	1265-59
Sept	1210-15	—4.0	1223-15
Nov	1182-85	—5.0	1185

Sales: 1,281 (1,850) lots of 5 tonnes.

ICO Indicator price for Nov 5 (U.S. cents per pound). Comp daily 1979 127.04 (126.89); 15-day average 128.32 (128.49).

GRAINS

The market opened firmer, eased during the morning but saw some shipper buying later, Acli reports.

	WHEAT		BARLEY	
Mnth	Yesterd'ys close	+ or —	Yest'rd'ys close	+ or —
Nov	113.90	—0.10	108.95	+0.10
Jan	116.70	+0.15	111.90	+0.15
Mar	119.40	+0.05	114.80	+0.10
May	122.43	+0.05	117.75	+0.25
July	125.10	+0.05	—	
Sep	112.60	+0.50	107.45	—

Business done—Wheat: Nov untraded, Jan 116.70-6.50, March 119 50-9.30, May 122.50-2.40, July 125.10 only, Sept 112.70-2 65. Sales: 112 lots of 100 tonnes. Barley: Nov 109.00-8 60, Jan 111.90-1.85, March 114.80-4.65, May untraded, Sept 107 45 only. Sales: 98 lots of 100 tonnes

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No 1 14 per cent, Nov 116 50, Dec 117.50, Jan 120.00 transhipment East Coast sellers. English Feed fob, Dec 119.75, Jan/March 122 25 East Coast sellers. Nov 119.00, Jan 120 00 paid East Coast. Maize: French, Nov 136 00 East Coast seller. S African White/Yellow, Nov/Dec 80.00 seller. Barley: English Feed fob, Dec 114.50, Jan/March 117 50 East Coast sellers, Nov 113 50 paid East Coast. Rest unquoted.

HGCA—Locational ex farm spot prices. Feed barley: Eastern 106 40, Scotland 103 50. The UK monetary coefficient for the week beginning Monday, November 15 (based on HGCA calculations using four days' exchange rates), is expected to remain unchanged.

POTATOES

The market was firmer again, with the weather hampering liftings and encouraging further short-covering. November eased slightly, with increased interest as the closing date draws nearer, reports Coley and Harper.

Month	Yesterd'y close	Previous close	Business Done
	£ per tonne		
Nov	58.10	56.70	59.00-58.00
Feb	72.80	70.40	72.50-69.50
April	85.20	83.10	85.50-82.50
May	94.20	92.40	94.20-91.50
Nov	67.30	67.00	67.50-67.00

Turnover 778 (831) lots of 40 tonnes.

RUBBER

The London physical market opened about unchanged, attracted little interest throughout the day, and closed dull. Lewis and Peat reported a November fob price for No. 1 RSS in Kuala Lumpur of 204.5 (203 5) cents a kg and SMR 20 170.0 (169 5).

No. 1 R.S.S.	Yesterdys close	Previous close	Business Done
Dec	48.90-49.10	48.60-49.00	49.10
Jan	49.50-49.90	49.60-49.80	—
Jan-Mar	50.30-50.40	50.30-50.50	—
Apl-Jne	52.70-52.80	52.80-52.90	52.80-52.70
Jly-Sept	55.20-55.30	55.30-55.40	55.30-55.20
Oct-Dec	57.60-57.70	57.70-57.80	57.70
JanMch	59.90-60.00	60.00-60.10	—
Apl-Jne	62.60-62.60	62.50-62.70	—
Jly-Sept	64.70-64.80	64.90-65.00	64.80

Sales: 117 (120) lots of 15 tonnes, 3 (3) lots of 5 tonnes.

Physical closing prices (buyers) were 47.75p (48.00p); Dec 52 00p (same); Jan 52.25p (same).

SOYABEAN MEAL

The market opened strong with gains of up to £2 00 on commission house buying, reports T. G. Roddick. Prices failed to attract follow-through buying and with heavier cash markets prices drifted.

Sales: 136 (49) lots of 100 tonnes.

	Yesterdys Close	+ or —	Business Done
	£ per tonne		
Dec	150.50-50.8	+1.00	151.00-50.50
Feb	150.50-52.7	+2.10	153.30-52.50
April	152.70-55.0	+1.20	155.70-51.50
June	151.80-52.2	+1.56	152.50-51.50
August	151.80-52.0	+0.90	—
October	151.80-52.2	+0.85	—
Dec	151.50-54.5	+0.50	—

SOYABEAN OIL—The market opened $4.00 higher on commission house interest before trade selling eased values. Close (U.S. $ per tonne): Dec 415.00, 430.00, untraded: Feb 435 50, 436.00, 440 00-433 00: April 441 50, 442.00, 443.00-442 00: June 443.50, 445.00, 444 00-443 50: Aug 445.00, 455.00, untraded: Oct 450 00, 465.00, untraded. Dec 450 00, 473 00, untraded. Sales 43 (46) lots of 25 tonnes.

SUGAR

The market was steady around pre-weekend levels during the morning. Later, however, overseas quotations failed to match-up and prices fell, reports C. Czarnikow.

No. 4 Con-tract	Yesterday close	Previous close	Business done
	£ per tonne		
Jan	108.75-14.00	109.00-18.00	—
March	116.50-17.00	117.00-17.90	118.75-16.25
May	120.60-20.85	121.50-21.55	122.60-20.60
Aug	124.50-24.70	125.50-25.75	126.00-24.60
Oct	130.25-30.60	131.00-31.25	131.75-30.75
Dec	134.00-37.00	135.75-36.75	—
March	138.00-40.30	139.00-42.00	—

Sales: 2,633 (4,010) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis white sugar was £405 30 (same) a tonne for home trade and £206.00 (£204.00) for export.

International Sugar Agreement (U.S. cents per pound) fob and stowed Caribbean ports. Prices for Nov 5. Daily price 6 53 (6.58); 15 day delivery 6 26 (6 22).

LONDON DAILY PRICE—Raw sugar £101 00 (£99 00) a tonne cif Nov-Dec shipment. White sugar daily price £123 00 (£121.00)

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order buyer, seller, business). Australian cents per kg. Dec 519.5, 520 0, 521.0-520.0: March 535.0, 535 5, 536.0-535 1: May 547 0, 548.5, 549.0-547.5: July 553 5, 554.5, 554 5: Oct 542.0, 542 5, 544.0-542.0: Dec 547 0, 552 0, untraded, March 554 0, 557.0, untraded: May 556.0, 561.0, untraded. Sales 35.

LONDON NEW ZEALAND CROSSBREDS—Close (in order: Buyer, seller, business). New Zealand cents per kg. Dec 362, 367, nil: Jan 374, 377, 376: March 387, 388, 387: May 397, 399, 398-397: Aug 415, 417, 415: Oct 418, 420, nil: Dec 421, 423, nil: Jan 423, 425, 425: March 427, 430, nil: May 432, 437 nil. Sales: 14.

*

MONDAY'S tea sale was postponed until today in view of a scheduled day of action by trade unionists which was subsequently called off.

COTTON

LIVERPOOL—Spot and shipment sales amounted to 72 tonnes. Modest operations were reported, with a fair amount of demand. Pressure was exerted for supplies of African and South American growths, while Middle Eastern qualities were by no means neglected.

JUTE

JUTE—C and f Dundee BWC £253, BWD £223, BTB £280, BTC £253, BTD £223: c and f Antwerp BWC £252, BWD £222, BTB £279, BTC £252, BTD £222: c and f Dundee Nov 40 in 10 oz £13.10, 40 in 7½ oz £9.96: B Twills £38 92.

MEAT/FISH

SMITHFIELD—Pence per pound. Beef: Scotch killed sides 80 5 to 86 3. Ulster hindquarters 95 7 to 98 8, forequarters 62 2 to 64 5. Veal: Dutch hinds and ends 135 00 to 139 00. Lamb: English small 64 0 to 69 0, medium 64 0 to 68 0, heavy 60 0 to 62.0. Scotch medium 59 0 to 65 0, heavy 56 0 to 59.0. Imported—New Zealand PL 52 0 to 53 3, PX 50.0 to 51 3. Pork: English under 100 lb 40 0 to 53 0, 100-120 lb 42 5 to 52 0, 120-160 lb 39 8 to 49 0.

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle, 98 08p per kg lw (−0.14). GB—Sheep, 139 74p per kg est dcw (+2 86). GB—Pigs, 74.96p per kg lw (+1 74).

GRIMSBY FISH — Supply good, demand good. Prices at ship's side (unprocessed) per stone: Shelf cod £5 50-£6 50, codlings £1.80-£5 00: large haddock £4 20-£5 00, medium £6 40-£4 50, small £1 80-£2 20: large plaice £5 00-£6 40, medium £4 80-£6 00: best small £4 20-£5.20: skinned dogfish (large) £9.50-£11.50, (medium) £3 50-£5.00: lemon soles (large) £10.50, (medium) £8 50: reds £2.40: saithe £1 80-£2.70.

COVENT GARDEN—Prices for the bulk of produce, in sterling per package except where otherwise stated. Imported Produce: Satsumas—Spania: 10 kg 3 00-3 60. Oranges—Outspan: Val/Lates 40 5 20, 48 5.70, 56 6 00, 72 3 60, 88 3.20, 112 3.35, 138 3.00, 150 3 00. Navelinas—Spania 4 50-5 50. Lemons—Spania: Tray 5 kg 25/150 1.80-2 40: Outspan 4 0-5 00: Turkish: 80/150 3 50-4 20: Cypriot: 9 kg 3.50-4.50: Uruguayan: 113/125 5 80. Grapefruit—Outspan 27 4 80, 32 6 05, 36 6 20, 40 6.10, 48 5 80, 56 5 60, 64 5.15, 72 4 35. Cypriot 40/56 4 30-4 80. Dominican: 4 30-4 80. Jaffa: 36/54 4 80-5 50: Cuban: White 3 00-3 50, Ruby 4 00. Honduras: Ruby 5 00-5 20, White 4 50-5 20: U S.: Ruby 36/40 8 00. Clementines—Spania: 4 00-5 00: Maroc 3 80-5 00. Apples—French: Golden Delicious 18 kg 4 00-5.20, 9 kg 2 00-2 60, Granny Smith 18 kg 4 80-5 20, 9 kg 2 60-2 80, Stark-Crimson 18 kg 4 00-5 00. U S.: Red Delicious 10 50-14 00. Canadian: 10.00. Pears—Dutch: Comice 14 lb 3 20-3 50, Conference 15 kg 6 20-6.40. Grapes—Italian: Italia 5 kg 2 50-4 00. Spanish: Almeria 1 80-2 40, Napoleon 2 80-3 00, Italia 4 50. Strawberries—New Zealand: 8 oz 0 80-2.00. Dutch 8 oz 0.80p-0 90p. S/A 8 oz 1 60-1 80. Melons—Spanish: Yellow 10 kg 3.50-4 50, Green 10 kg 3.50-4.50. Pineapples—Ivory Coast: 20s 0 40. South African: 5/7 5.22-7 50. Bananas—Colombian: 40 lb boxes 8 00-8.50. Avocados—U S 6 00-6 50, Israeli: 2 80-3.20. Canary: 3 50. Paw Paws—Brazilian: 5 00-5 50. South African: 5 50-6 00. Hawaiian: 6.00. Pomegranates—Spanish: 40/60 4 50-5 20. Kiwifruit—New Zealand: 9.00-9 50. Mangoes—Brazilian: 7 00: Kenyan: 6 00-6 50. Persimmonds — Italian: 2.50-3.00. Prickly Pears — Italian: 3.50-4.00. Tomatoes—Dutch: 6 kg 4.00-4.20: Spanish: 6 kg 3.60-4.20. Lettuce—Dutch: 24s 3.40-3.80, 12s 2 40. Calabrese—Jersey 15 lb 4 50. Carrots—Dutch, 28s, pre-packed 2 80-3 00, loose 2 00. Asparagus—South African: Per pound 1 60-1 80. New Zealand: Per pound 1 40-1 80: Australian: 1 80-2 00: U S.: 1 80.

English Produce: Potatoes—Per bag 1 80-2.75. Mushrooms—Per pound open 0 50-0 60, closed 0 80. Lettuce—Per pound, round 1.00-1 60. Webb's 1.50-2 40. Crisp 1.60-2 60. Onions—Per 55 lb 1.80-3 00. Spring Onions—Per bunch 0.10-0.12. Pickling Onions—Per 55 lb 2.50. Leeks—Per 11 lb 1 20-1 80. Cabbages—Per 25 lb 1 20-1 50, per 28/30 lb White/Red 2 00-2 40. Greens—Per 28 lb 1.50-1.80. Broccoli—Per pound 0 40. Brussels Tops—Per 28 lb 1 20-1.50. Spinach—Per 10 lb 1.00-1 60. Sprouts—Per 20 lb 1 00-1.60. Carrots—Per 26/28 lb, 0 80-1 20, per bunch 0 05-0 10. Cauliflowers—Per 12 Lincoln/Kent 1.20-3 20. Celery—Per 18/36 Winter crop 3 00-3 20. Pumpkins—Per pound 0 06-0 08. Turnips—Per 28 lb 1.40-1 60. Swedes—Per 28 lb 1 00-1 20. Parsnips—Per 28 lb 1 40-1 60. Jerusalem Artichokes—Per pound 0 20-0 25. Apples—Per pound, Bramley 0 06-0 12, Cox's 0 10-0 18, Russets 0 10-0 17, Spartan 0 08-0 14. Pears—Per pound, Conference 0 08-0 18, Comice 0 15-0 25. Cob Nuts—Per pound 0.40-0.45

AMERICAN MARKETS

NEW YORK, November 8.

GOLD and silver broke sharply on the failure of the Federal Reserve to lower the discount rate and on the sharp rise in the money supply. Uncertainty about Soviet sales also contributed to the massive pressure on the gold market. Copper prices came under severe pressure from heavy commission house selling which touched off stop-loss and technical selling; A sharp build-up in LME stocks and the weakness in precious metals were contributing factors. Cocoa prices rallied moderately on local and commission house buying in anticipation of some support action to be taken by the producing countries. Coffee came under pressure on the lack of any fresh news and on some chart selling triggered by computer systems. Sugar prices declined moderately on light producer selling as wel las on some arbitrage selling which came into ple yearly in the trading session. Cotton prices finished slightly higher in featureless trading wit hthe trade providing support on the long side and commission houses selling into the market. Heating oil prices weakened substantially as the weekend cold temperatures in the Northeast were followed by a warming trend. Soyabeans and wheat opened weak and closed weaker after a short-covering mid-day rally failed to hold net gains. Maize finished fractionally higher as heavy country marketings were quickly absorbed by commercial interests, reported Heinold.

NEW YORK

COCOA 10 tonnes, $/tonnes

	Latest	High	Low	Prev
Dec	1383	1384	1365	1354
March	1473	1473	1455	1445
May	1525	1525	1505	1495
July	1546	1551	1540	1535
Dec	1611	1611	1611	1615

COFFEE "C" 37,000 lb, cents/lb

	Close	High	Low	Prev
Dec	136 08	136 40	133.60	135.26
March	132.06	132.20	130.60	132 04
May	127.38	126.75	126.25	127 38
July	124.13	124 00	123 75	124 10
Sept	122.13	121.75	121.30	121.68
Dec	119 75	119.50	119.50	119 38
March	118.60	—	—	117.25

COPPER 25,000 lbs, cents/lb

	Close	High	Low	Prev
Nov	62.95	—	—	65.50
Dec	63.45	70.00	63.45	66.40
Jan	64.00	—	—	66 85
March	65 05	66 70	65 00	67.80
May	66 05	67.70	66.00	68.75
July	67.05	68 75	67.30	45.95
Sept	68 05	69 60	—	70.60
Dec	69 50	71.30	69 50	71.95
March	71.00	72.90	70.70	73 30
May	72.00	73.70	71 70	74.20

COTTON 50,000 lbs, cents/lb

	Close	High	Low	Prev
Dec	62.90	62 93	62.30	62.52
March	65.80	65.80	65 10	65 32
May	67 35	67.40	66.65	66.95
July	68 56	68.62	68 00	68 30
Oct	67.82	67.82	67 45	67 75
Dec	67.60	67.80	67.50	67 90

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Nov	405 5	409.0	406.0	416 7
Dec	407.5	411.0	405.0	419 0
Feb	413.4	417.2	411.8	425.2
April	419 5	423.3	418.5	431.6
June	425.9	429.0	424.8	438.2
August	432.3	436 5	432 0	444.8
Oct	439.0	439.5	439 0	451 8
Dec	445.9	450 0	444.0	458.9
Feb	453.0	—	—	466 2
April	460.3	463 0	463 0	473.7
June	467.7	466.0	466 0	481.3
August	475.3	—	—	489.1

HEATING OIL 42,000 U.S. gallons, cents/gallon

	Close	High	Low	Prev
Dec	97 64	98 40	97.45	98.76
Jan	97.37	97 95	97.35	98.30
Feb	96 31	96 85	96.25	97.28
March	93 89	94.30	93.50	94 94
April	92.69	93.10	92.30	93 66
May	91.20	91.50	91.50	91.10
June	91.50	—	—	91.50

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Dec	328.9	331.0	324.0	342.6
Jan	329.8	338.0	328.0	343.6
April	336.3	345.0	335 0	350 3
July	343.3	354.0	344 0	357.6
Oct	350.3	356.0	358.0	364 9
Jan	357.3	373.0	371.0	373.0
April	365.4	—	—	381.5

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Nov	1010.0	1025.0	1017 5	1067 5
Dec	1015 5	1037.0	1014.0	1064.0
Jan	1022.4	1038.0	1025.0	1071.0
March	1037 0	1058 0	1036.0	1086.0
May	1052 5	1075 0	1065.0	1102.0
July	1068.0	1098.0	1068 0	1118.0
Sept	1084 0	1108 0	1103 0	1134.0
Dec	1108.0	1130 0	1110 0	1158.0
March	1132 0	1152.0	1150.0	1182 0
May	1148 0	—	—	1198.0

SPOT PRICES—Chicago loose lard 17.50 (same) cents per pound. Handy and Harman bullion silver 1013 00 (1056 50) cents per troy ounce. New York tin 563.0-565 0 (566.0-568.0) cents per pound.

SUGAR WORLD "1" 112,000 lbs, cents/lb

	Close	High	Low	Prev
Jan	6.90	6 80	6.80	7.13
March	7.72	7 78	7 55	7.83
May	8 01	8 08	7.88	8.11
July	8 21	8.28	8.10	8.31
Sept	8 50	8 59	8 59	8.58
Oct	8.69	8 81	8 56	8.81
March	9.58	9 63	9.50	9.63

CHICAGO

LIVE CATTLE 40,000 lbs, cents/lb

	Close	High	Low	Prev
Dec	61 57	62.40	61 25	61.07
Feb	59.45	60 30	59.30	59 30
April	59 30	60 10	59.20	59.27
June	60.47	61.20	60.35	60 62
Aug	59.30	60 00	59.22	59.32
Oct	58.25	58.50	58.25	58.00

LIVE HOGS 30,000 lbs, cents/lb

	Close	High	Low	Prev
Dec	54 42	55.95	54.35	54 60
Feb	54 82	56 30	54 70	54.92
April	52.22	53.75	51.90	52.02
June	53.12	53.95	52.90	53.05
July	52.75	53.60	52.40	52 47
Aug	50.75	51.20	50 80	50.10
Dec	47 20	47 20	47.20	46.97
Feb	45.70	45.70	45.70	45 70

MAIZE 5,000 bu min, cents/56 lb-bushel

	Close	High	Low	Prev
Dec	231.0	235.4	227.6	230 2
March	241 0	247 0	237 4	240 4
May	248.4	254 2	238 4	246 6
July	254.0	259 4	249.4	252 4

PORK BELLIES 38,000 lbs, cents/lb

	Close	High	Low	Prev
Feb	78 80	81.12	78.25	79 12
March	77 77	79 65	76.70	77.70
May	76 92	78 20	76.00	76 87
July	74 62	76 60	74.55	75.17
Aug	72 20	73.60	72.00	72 40
Feb	67.50	67.60	66 50	67 60
March	65.15	65.15	65.15	65.15

SOYABEANS 5,000 bu min, cents/60 lb-bushel

	Close	High	Low	Prev
Nov	561 0	570 4	555.6	569.6
Jan	572 0	582.4	572 0	580.0
March	584.0	594.4	584.0	591 0
May	593.4	602 4	593.0	—
July	601.4	609.0	—	606.2
Aug	602 4	607.4	602.0	605 0
Sept	593 4	597 0	593 4	596.0
Nov	588 4	594.0	587.0	591.4

SOYAMEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Dec	170 5	173 0	169.5	172.5
Jan	171 8	174 3	171 0	173.8
March	173.5	175.5	173.0	174 7
May	174.3	176 3	174.0	175 3
July	175.5	177 5	175.0	176.5
Aug	175.5	177 5	175 0	176.5
Sept	176 5	177 5	175.0	175 7
Oct	174 5	175.5	173 0	172.0
Dec	177.5	178.0	176.0	176.0

SOYABEAN OIL 60,000 lbs, cents/lb

	Close	High	Low	Prev
Dec	17.30	17.62	17 27	17 63
Jan	17.44	17.74	17.40	17.75
March	17.77	18.05	17 75	18.08
May	18.10	18 35	18 05	18.40
July	18.40	18.65	18 35	18.65
Aug	18.40	18.65	18.40	18 65
Sept	18.43	18.65	18 43	18 65
Oct	18.47	18.70	18.47	18.70
Dec	18.61	18.80	18 61	18.70

WHEAT 5,000 bu min cents/60 lb-bushel

	Close	High	Low	Prev
Dec	332.0	337.4	329.0	334 6
March	347.6	352 4	346 0	349.2
May	352.6	357.0	350.0	353.6
July	353.4	357 0	348.0	354 0
Sept	360 4	364 0	359 0	361 0
Dec	375.0	380 0	373.4	375 0

WORLD STOCK MARKETS

Dow closes sharply lower

CONCERN that the Federal Reserve might delay a discount rate cut, following an unexpectedly large jump in the money supply reported on Friday, pushed stock prices lower with high-capitalisation issues suffering the most.

The Dow Jones Industrial average closed off 14.34 points at 1037.44. Losses outnumbered gains about five to three, as volume slowed to about 76m shares.

* * *

AT MID-SESSION the average was off 17.10 at 1034.68. The New York Stock Exchange all-common index was off $1.17 at $80.66.

The discount rate, charged on Fed loans to member banks, is currently at 9½ per cent and was last reduced on October 12. Analysts said investors had expected a half point cut once the U.S. Congressional elections were over.

"The market was looking for an excuse to fall after last week's rally," Mr Michael Metz, of Oppenheimer, said. Mr Metz was encouraged by the low level of trading.

"There is very little liquidation. Buyers have evidently only stepped away temporarily to see how far down this thing might go," he said.

Prices were down across the board, with Aerospace, Retailing and Transportation stocks particularly weak.

Oil issues also gave up ground. Atlantic Richfield fell 2 to $42¼. Active Exxon ⅛ to $30. Phillips 1⅛ to $32¾. Standard Indiana 1½ to $42½. Getty 1 to $55 and Standard California 1 to $31½.

Du Pont dropped 1 to $42¾. The company projected flat-to-slightly higher earnings in the fourth quarter.

THE AMERICAN SE Market Value Index was off 3.62 at 334.04 on volume of 4m.

Canada

Prices came under further pressure at midsession, as the Toronto Composite Index posted a 21.2-point loss to 1,861.1 on volume of 3.33m shares.

Thirteen of the 14 stock groups were lower, with losses led by the Real Estate and Construction Index, which fell 83.0 to 3,698.6.

Gold stocks were off 72.6 to 2,740.1 and Oil and Gas issues lost 34.5 to 3,019.7. Metal stocks lost 29.2 to 1,667.5.

Declines led advances 282 to 151. Among actives Dome Petroleum fell three cents to C$2.77.

On the Montreal exchange, prices fell 2.25 in the Composite Index to 316.56 on volume of 460,000.

Industrials fell 2.48 to 331.08 and Banks stocks lost 2.49 to 367.46. Utilities were off 1.45 to 239.03.

Tokyo

Prices kept on climbing yesterday, pushing aside pressure on recent rally leaders. Steel stocks advanced across a broad front. Shipping issues also gained. Blue Chips closed largely mixed. The Nikkei-Dow Jones Industrial Average closed up 12.84 at 7,551.66.

Nippon Steel rose Y2 to Y134, Sumitomo Metal Y3 to Y133, Hitachi Shipbuilding Y6 to Y144 and Mitsubishi Heavy Industrial Y4 to Y200.

Sony gained Y30 to Y4,100, Toyota Motor Y5 to Y935, Toshiba Y7 to Y338 and Minolta Y16 to Y467, but Matsushita Elec lost Y10 to Y1,300, Honda Motor Y4 to Y961, Fujitsu Y14 to Y986 and Fuji Photo Y20 to Y1,770.

Constructions and Foods were slightly higher, while Drugs and Biotechnology issues ended mixed after a higher opening. The second market finished steady.

Hong Kong

Stocks recovered to close only slightly easier. Losses were pared by late buying in response to a recovery of the Hong Kong dollar to 6.7700/7850 from its initial 6.8500/8650, brokers said.

The Hang Seng Index closed off 8.27 points at 851.65 after having lost 14.58 by 11 am.

Prices opened weak on factors including a falling Hong Kong dollar, Friday's rejection of a prime site land tender here and the weekend editorial of the Chinese Communist Party People's Daily restating China's aim of recovering sovereignty.

Hotels, Properties, Commodities and the second trading section were also mixed where traded in line with the general trend.

Commercial Index rose 1.84 points to 562.32.

Germany

Shares recouped some of their early losses to close mixed in thin trading, with most buying from domestic customers rather than foreign investors, dealers said.

Stores, a recent weak feature, appeared little-affected by news that retail turnover fell a real 4.5 per cent in the first nine months.

The Commerzbank Index ended 1.6 lower at 702.8.

Paris

Prices were mixed at the end of a dull session as the dollar's renewed strength and fears of an upturn in domestic interest rates discouraged the market.

The market indicator was off 0.18 per cent at the close with declines slightly outpacing advances in the French section. Analysts cited the Bank of France's decision yesterday to raise its call money rate to 13¼ per cent from 13⅛ per cent as a prime reason for the market's hesitancy.

The increase unnerved investors and gave rise to speculation that the Central Bank would temporarily halt its aggressive steps to bring down rates.

Also depressing market sentiment was the renewed strength of the dollar, which surged to 7.3040 francs at the Paris fixing.

Amsterdam

The market was lower in thin trading. Wall Street's barely-changed close on Friday and the lack of a cut in U.S. interest rates were the main factors on prices, dealers said.

In Dutch Internationals, KLM fell Fl 3.40 to Fl 95.80, while Unilever was Fl 2.70 lower at Fl 28.70. Royal Dutch lost Fl 1.60 to Fl 95.30. Among Banks, ABN dropped Fl 9 to Fl 274 and NMB was Fl 3 lower at Fl 121.

Investment Funds firmed against the trend with Rolinco rising 2.50 to 139.50. Insurer AMEV was Fl 2.10 lower at Fl 88 and Natned Fl 1.40 at Fl 112.80.

State Loans were steady. The ½ per cent cut in Dutch interest rates was already discounted.

Milan

Prices closed lower yesterday in extremely thin trading after a weak opening, with sellers dominating all sectors.

The Milan Stock Index closed down 2 per cent. Sellers continued to dominate the market in after-bourse trading.

One broker said the lack of faith in the market was mainly because participants felt the Italian government was incapable of taking the country out of its economic and budgetary difficulties.

Singapore

Shares closed narrowly mixed on some profit-taking in the afternoon after a slightly higher opening in selective active trading.

Genting rose 12 cents to S$3.66, National Iron 10 to S$7.60, Associated Plastic Industries seven to S$1.70 and Industrial/Commercial Bank 10 to S$6.90, while on the decline, Boustead fell 5 cents to S$1.93, Pan Electric 5 to S$2.50, Inchape 4 to S$2.55 and Development Bank 10 to S$8.35.

The Straits Times Industrial Index rose 2.57 points to 743.21.

NEW YORK

Indices

CANADA

DENMARK

HOLLAND (continued)

AUSTRALIA

JAPAN (Continued)

FRANCE

ITALY

NORWAY

SPAIN

GERMANY

SWEDEN

AUSTRIA

BELGIUM/LUXEMBOURG

SWITZERLAND

HOLLAND

HONG KONG

JAPAN

SINGAPORE

SOUTH AFRICA

Financial Rand US$0.75½ (Discount of 12½%)

New York Active Stocks

LONDON STOCK EXCHANGE

Markets follow lower U.S. trend but Gilts above worst
Share index down 11.3 at 615.6—Lucas fall sharply

Account Dealing Dates

Option

*First Dealings	Declarations	Last Dealings	Account Day
Oct 18	Oct 28	Oct 29	Nov 8
Nov 1	Nov 11	Nov 12	Nov 22
Nov 15	Nov 25	Nov 26	Dec 6

* "New-time" dealings may take place from 9.30 am two business days earlier.

Events on Wall Street tended to dampen fresh investment incentive in London stock markets yesterday and the second leg of the current trading Account got off to a drab start after last week's record-breaking run.

The continued absence of a cut in the Federal Reserve discount rate following the sharp rise in last week's U.S. money supply gave an early jolt to sentiment in the Gilt-edged sector. Initiative was also stifled in the domestic equity sectors, which were looking for a fresh transatlantic lead. The Chancellor's financial statement came after the official close and also inhibited trade although it had been well aired in the weekend Press.

Gilt-edged securities opened around ½ lower in the wake of last Friday's fall in U.S. bonds and drifted off further to show losses of ¾ at the long end of the market. Uncertain conditions prevailed before buying interest developed at the lower levels and quotations began to edge off the bottom. Falls were eventually reduced to around ⅛. Short-dated issues followed a similar pattern and ended little changed.

A recovery in the equity leaders after an initial mark-down was quickly nipped in the bud following the announcement of a cut in the final dividend by index constituent Lucas Industries.

Measuring the tone, the FT 30-share Ordinary index reduced an opening fall of 7.2 to one of only 3.9 an hour later but was showing a loss of 8.8 at 3 pm. A further deterioration following the initial setback on Wall Street left the index at its lowest of the day with a drop of 11.3 at 615.6 yesterday's fall of 16 to 130p in Lucas accounted for around 2½ points.

Lloyds Brokers staged a useful rally following last week's depression caused by the Department of Trade's proposed investigation into alleged irregularities at Minet's underwriting agencies. Down 35 last week, Minet retrieved 7 at 106p, after 108, while C. E. Heath picked up 10 at 313p, after 317p. Willis Faber rallied 9 to 502p and Stewart Wrightson 7 to 232p and Hogg Robinson 5 to 102p. Elsewhere, adverse comment unsettled selected Composites. Awaiting today's third-quarter figures, Commercial Union lost 6 to 126p, while General Accident, with figures due tomorrow, dipped 8 to 332p.

Still concerned about the Bank of England's hint on Friday that they cut dividends to strengthen balance sheets, the major clearers continued lower on persistent selling and lack of support. Closing levels were again the day's lowest but Barclays fell 8 to 378p, after 372p. NatWest eased to 446p before also closing a net 8 off, at 452p, while Midland dipped the same amount to 300p. Elsewhere, Allied Irish firmed 6 to 96p on the better-than-expected interim results. The recently weak Guinness Peat rallied 7 to 50p on technical influences.

Computer consultants Systems Designers International staged a successful market debut; placed at 210p, the shares touched 290p before reverting to the opening level of 275p. Pineapple Dance Studios, Friday's much-publicised and successful newcomer to the Unlisted Securities Market, touched 98p before closing a penny off at 95p compared with the placing price of 52p. Design consultants Fitch and Co reacted to 225p before closing a net 10 down at 230p following adverse Press comment, but Breville Europe edged up a couple of pence to 96p following a favourable mention. International Signal and Control met renewed support and put on 6 to 218p.

Up 17 on Friday on the announcement that RMC had acquired a 27.1 per cent stake in the company, Wettern Brothers gained 9 more to 90p. RMC's move also stimulated revived support for other aggregate and brick concerns; Breedon hardened 3 to 200p, while Ibstock Johnsen put on 6 to 71p and Nottingham Brick 5 to 168p. Elsewhere in the Building sector, Bett Brothers found support and gained 4 to 55p, while further demand in a thin market lifted McCarthy and Stone 13 more to 355p.

After opening around 4 lower at 328p, ICI edged up to 330p before reacting on early Wall Street advices to close a net 8 down at 324p. Rentokil edged up 2 to a 1982 peak of 211p and Scottish Agricultural Industries firmed 5 to a high for the year of 206p. Dixor-Strand shed 4 to 18p following the chairman's warning that certain conflicts had arisen between two main shareholders.

Stores drift

Leading Stores generally drifted lower for want of attention. House of Fraser eased 4 more to 178p awaiting further developments following the success last week of Lonrho's motion to hive-off the Harrods flagship; Lonrho eased 2 to 89p. Secondary counters stayed near to Friday's closing positions, although a couple of features emerged; Press comment prompted steady support of Ramar Textiles, which rose 4 to 14½p, while further consideration of the doubled interim profits lifted A. Goldberg 5 to 83p. Persistent speculative interest saw Polly Peck touch a high of £12½ before settling for a net gain of ¾ at £11½.

A few firm features emerged among secondary Engineerings. 600 Group stood out with a rise of 4½ to 45½p on buying ahead of the interim results scheduled for December 2. Weekend Press comment prompted a rise of 3 to 19p in Howard Machinery. Chemring firmed 20 to 520p and Hopkinsons 7 to 106p. Profit-taking in the wake of last Friday's rise of 20 on the sale of its Peakstone subsidiary to RMC for £11.4m left Staveley Industries 8 cheaper at 240p. Among the quietly dull leaders, Hawker gave up 6 to 350p.

Marked lower at the outset, Electrical leaders retreated further on sporadic offerings and lack of support. Down 18 last Friday on reports that a broking house had downgraded its profits forecast for the group, BICC gave up 5 more to 305p. Thorn EMI fell 10 to 422p as did Plessey, to 605p, while GEC softened 6 to 232p. Elsewhere, Arlen featured with a fresh speculative rise of 8 to 85p, after 87p, in response to weekend Press comment. Vitatron, the loss-making Dutch group, rallied 5 to 35p on the announcement that Mr J. B. C. Broos has been appointed managing director and has been presented with 20 per cent of the equity as an incentiv

In Foods, G. F. Lovell put on 6 to 66p on speculative buying, while Albert Fisher gained 4 to 50p following Press comment.

With the exception of Glaxo, which hardened ½ to £11¼ on the proposed link-up with Hoffman-La Roche to market its Zantac anti-ulcer drug in the U.S., miscellaneous industrial leaders drifted lower on lack of support. Fears of a newsprint price war continued to cloud sentiment in Bowater, which dropped to a 1982 low of 167p before closing a net 7 down at 168p. Beecham lost 8 to 352p as did Reckitt and Colman, to 372p, while Pilkington, 177p, and BTR, 388p, relinquished 6 apiece. Elsewhere, London and Liverpool Trust met renewed support and rose 7 more to 147p, while Thomas Jourdan recorded a Press-inspired rise of 6 at 82p. The reduced deficit lifted "W" Ribbons 3 to 13p and, still reflecting recent comment, Burns Anderson firmed 3 to 32½p. W. Canning put on 6 to 50p and Clement Clarke gained the same amount to 159p. London Private Health rose 4 to 43p on an investment recommendation. Henry Boot slipped 10 further to 245p, sentiment still depressed by the recent profits warning.

Lloyds Brokers rally

Dealings in Leisuretime International resumed following the acquisition of Preston Travel and Sunroutes; the shares, suspended at 73p, restarted at 94p and touched 98p in lively trading before closing at 92p.

Already nervous in front of the announcement, Lucas ended 16 down at 130p following the surprise cut in the annual dividend; sentiment was also unsettled by the gloomy tenor of the accompanying statement. GKN fell 6 to 120p in sympathy, while Smiths Industries, annual figures due today, eased 3 to 327p. Elsewhere in Components, profit-taking clipped 12 from recent high-flyer Flight Refuelling, 248p. Distributors were narrowly mixed, but Hartwells continued to attract scattered support awaiting today's full-year results and rose 3 more to 76p.

Scrappy selling and lack of support again left its mark on Properties, Land Securities losing 6 more to 253p and MEPC 5 to 165p. Nervous offerings in front of today's interim results left Great Portland Estates 6 down at 124p. Against the trend, fresh speculative buying in a thin market lifted Mountleigh 20 to a 1982 peak of 145p. Pennine Commercial hardened ½ to 2½p on the announcement that the company is in negotiations with a Scottish consortium which is interested in acquiring a substantial equity interest and injecting fresh capital. Daon Development put on 13 to 90p on Canadian advices.

Oils lower

The forthcoming Britoil offer stifled interest in Oils which closed on a dull note. British Petroleum ended 8 off at 320p, as did Shell, at 418p; the latter's third-quarter figures are due on Thursday. Ultramar, which also has third-quarter results scheduled for Thursday, closed 6 cheaper at 487p. Elsewhere, Marinex dropped 7 to 33p following adverse Press comment.

A relatively stagnant session in Shippings was enlivened by Hunting Gibson, which lost 8 to a 1982 low of 84p following the interim profits set back.

Proceedings in Textiles were centred on selected secondary issues. Press comment prompted gains of 4 in Shiloh Spinners, 36p, and 1½ in Francis Sumner, 7½p. Leeds rose 4 to 115p, while Stroud Riley Drummond returned to favour and gained 3 at 83p.

Golds down again

The decline in the gold price and the poor performance of equities in both London and Wall Street led to sharp falls in South African Golds. Strong selling pressure in South Africa met no resistance from either of these centres, and the recent continental support was also absent.

Gold was finally $13.5 down at $406.5, its lowest for more than a month, and the Gold Mines index gave up 11.8 to 373.7, also the lowest since early October.

President Brand led the way downward among the heavyweights with a decline of 1½ to £22¼, while Free State Geduld also closed more than a point lower at £20½. Falls between ½ and a full point were common to Randfontein at £48½, Hartebeestfontein at £32⅝, Vaal Reefs at £46½, President Steyn at £20⅞ and Western Holdings at £23½.

Among the medium-priced issues, ERPM lost 48 to 800p, and falls in excess of 40 were common to Welkom, 588p, and Harmony, 815p.

In Diamonds, De Beers lost a further 10 to 296p in sympathy with the falls in Golds.

London Financials also suffered, with Gold Fields particularly weak and losing 10 to 405p after unfavourable weekend Press comment. Rio Tinto-Zinc gave up 7 to 456p.

Elsewhere, the drop in the copper price led to a fall of 10 to 625p in Palabora.

The fall in the gold price hit Poseidon particularly hard in Australians, and resulted in a fall of 15 to 231p.

Demand for Traded Options improved slightly from last Friday's depressed level, although dealers again reported little excitement and most issues mirrored the performance of the underlying share prices. Oils provided an exception, however, and British Petroleum 330 puts rose 8 to 26p, while Shell Transport 460 puts gained a like amount of 48p. Total contracts transacted yesterday amounted to 1,857-1,322 calls and 535 puts. Imperial Group attracted 262 calls, while Shell recorded 152 with the January 460's accounting for 129p. Put business was featured by Barclays with 145 trades struck.

FINANCIAL TIMES STOCK INDICES

	Nov. 8	Nov. 5	Nov. 4	Nov. 3	Nov. 2	Nov. 1	A year ago
Government Secs.	84.80	85.01	85.27	85.84	85.80	85.49	62.89
Fixed Interest	86.83	86.50	86.51	86.49	86.17	85.65	63.06
Industrial Ord.	615.6	626.9	629.5	624.5	616.5	610.9	510.9
Gold Mines	373.7	385.5	399.3	409.5	408.3	397.6	351.7
Ord. Div. Yield	4.95	4.92	4.90	4.92	5.02	5.05	5.63
Earnings, Yld.% (full)	10.70	10.55	10.50	10.55	10.76	10.90	9.95
P/E Ratio (net)	11.21	11.37	11.43	11.38	11.16	11.01	12.90
Total bargains	23,330	25,218	25,556	21,660	23,433	23,438	22,571
Equity turnover £m.	—	186.85	243.60	201.46	198.72	171.53	204.72
Equity bargains	—	20,671	21,918	18,090	19,526	17,643	20,077
Shares traded (ml)	—	120.3	168.8	145.3	134.0	116.6	127.1

10 am 619.7. 11 am 623.0. Noon 623.0. 1 pm 619.8. 2 pm 618.1. 3 pm 618.1.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial 1/7/35. Gold Mines 12/9/55. SE Activity 1974. †Correction. Latest index 01-246 8026.

Nil=10.40.

HIGHS AND LOWS

S.E. ACTIVITY

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	5	47	42
Corpns. Dom. and Foreign Bonds	16	23	36
Industrials	262	295	770
Financial & Props.	75	174	270
Oils	14	46	61
Plantations	7	2	14
Mines	12	64	71
Others	66	40	65
Totals	457	691	1,309

RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

FIXED INTEREST

NEW HIGHS AND LOWS FOR 1982

NEW HIGHS (158)

NEW LOWS (35)

OPTIONS

WORLD VALUE OF THE POUND

FT COMMERCIAL LAW REPORTS

Ship's blacking actionable in tort

MERKUR ISLAND SHIPPING CORPORATION V. LAUGHTON
Court of Appeal (Sir John Donaldson, Master of the Rolls, Lord Justice O'Connor, Lord Justice Dillon): November 4.

WHERE A trade union deliberately, by unlawful means, interferes with the supply of services to a time charterer in order to damage the shipowner, its action is a tort actionable at common law at the suit of the shipowner: and the union is unprotected by statutory immunity given to certain forms of secondary action if the employer whose supply of services is withdrawn has no contract with the shipowner.

The Court of Appeal so held when dismissing an appeal by Mr Brian Laughton and other officials of the International Transport Workers Federation (ITF) against injunctions by which Mr Justice Parker ordered it to lift its blacking of the Hoegh Apapa, owned by Merkur Island Shipping Corporation of Monrovia.

Section 17 of the Employment Act 1980 provides: "(1) Nothing in section of the [Trade Union and Labour Relations Act 1974 (TULRA)] shall prevent an act from being actionable in tort . . . where . . . there has been secondary action which is not action satisfying the requirements of subsection (3) below.

(2) . . . there is secondary action . . . when . . . a person (a) *induces another to break a* contract of employment . . . if the employer is not a party to the trade dispute.

(3) Secondary action satisfies the requirements of this subsection if (a) the purpose . . . was directly to prevent . . . the *supply of services between an* employer who is party to the dispute and the employer under the contract of employment to *which the secondary action* relates . . .

(6) In subsection (3)(a) above . . . (a) references to the supply of . . . services . . . are references to the supply . . . by one [employer] to the other in pursuance of a contract subsisting between them . . . and (b) references to directly preventing . . . are references to preventing . . . otherwise than by means of preventing . . . the supply of goods or services by or to any *other person.*"

LORD JUSTICE O'CONNOR said that the Hoegh Apapa was on time charter. On July 6 1982, when she was in Tilbury, a crew member complained of low wages to ITF. The ship escaped from Tilbury during negotiations.

ITF asked the Transport and General Workers Union to help black the ship. On July 16 she was ready to sail from Liverpool after loading. The tugmen, who were members of the TGWU, had a contract with the charterers to provide them with tugs. They refused to take the ship out.

Negotiations to settle the dispute failed. The shipowners applied for injunctions to lift the blacking, *on the basis of a claim* for damages against ITF. Mr Justice Parker granted the injunction and ITF now appealed.

The *issues were identical to* those in the *Antama [1982] 2 WLR 569.* There it was held that secondary action was not *legitimised by section 17(3) of* the Employment Act 1980, because there was no contract between the employer in dispute *and the employer whose supply* of services was interrupted by secondary action, as required by section 17(6).

*In the present appeal ITF con*tended that the shipowners had no cause of action at common law. The tort alleged in the writ *was "deliberate interference* with performance of the time charter by unlawful means."

In *Thomas v Deakin [1952] Ch 646 at page 695, Lord Justice* Jenkins recognised that actionable interference might be committed by a third party who "*with knowledge of a contract* between two other persons and with the intention of causing its breach," prevailed *on the ser*vants of one to break their contracts of employment.

ITF was sufficiently familiar with the shipping industry to know that the ship, with her loaded cargo, would have contractual obligations to leave port and head for her destination. Also, it had express knowledge of a term in the charter that *charterers might* cancel the contract if the ship was prevented from working.

There was a good arguable *case that, with knowledge of the* time charter, ITF unlawfully called out the tugmen intending to prevent the charterers from *performing their contract* in order to cause damage to the shipowners, and that they did cause damage.

Those facts gave the shipowner a cause of action in tort at common law.

ITF, however, contended that *it was immune from action,* under section 13 of TULRA. That provided that an act done by a person in furtherance of *a trade dispute was not action*able on the ground only that it induced another to break a contract. The question was whether *that immunity was removed* by section 17 of the 1980 Act.

The tugmen's refusal to work was secondary action within *17 (2); also, the "contract con*cerned" within 17 (1) was the time charter, not a contract of employment. Immunity under *section 13 was therefore removed* by *17 (1)* unless the secondary action came within 17 (3).

Secondary action was pro*tected under 17 (3) if its pur*pose was directly to prevent the supply of services between an employer who was party to the dispute (the shipowner), and the employer under the contract of employment to which the secondary action related (the tugowner).

The purpose of the secondary action in the present case was to prevent the supply of services between the shipowner and tugowner. Nevertheless it was not protected because 17(3) had to *be construed together* with 17(6), and there was no contract between the shipowner and tugowner as required by 17(6)(a).

Also, the purpose *was not "directly* to prevent supply" within 17(3) in that the preventing was not "otherwise than by preventing supply to any *other* person" as required by 17(6)(b). The supply prevented was between tugowner and charterers under the contract between them.

For that reason, and for the *reasons* in the *Antama* which was binding, ITF was not immune from suit for interference with contract. The appeal should be *dismissed.*

Lord Justice Dillon gave a concurring judgment.

SIR JOHN DONALDSON, agreeing, said that the law was not clearly expressed. The efficacy and maintenance of rule of law, which was the foundation of any parliamentary democracy, had at least two pre-requisites.

First, people must understand that it was in their interests, as *well as that of the community as* a whole, that they should live in accordance with the rules. Second they must know what *those rules were.*

Both were equally important, and it was the second aspect which caused concern in the *present case, ITF having dis*avowed any intention to break the law.

Parliament, when legislating in respect of circumstances *directly* affecting the man or woman in the street or on the shop floor, should give as high a priority to *clarity and simplicity of* expression as to refinements of policy.

For ITF: Cyril Newman QC, Nicholas Merriman and Charles Macdonald (Clifford-Turner).

For the shipowners: Roger Buckley QC and Timothy Charlton (Holman, Fenwick and Willan).

By Rachel Davies
Barrister

UK NEWS

Union says 4,000 jobs at risk

By Philip Bassett

GOVERNMENT proposals to cut the number of tax collection offices could lead to the loss of more than 4,000 Inland Revenue jobs, according to the Inland Revenue Staff Federation (IRSF).

Plans to halve the network of local tax collection offices are being proposed in a review of the service known as the Gracey Report, which was set up last year after strikes in the Civil Service held up the collection of more than £5bn in tax revenues.

The Gracey Report would shift routine collection work from local offices to the two computerised collection centres.

The report proposes a net cut of only 750 posts, but the IRSF believes this conceals a much higher loss in local collection offices. The union said yesterday: "The figure for staff in local collections could be as low as 5,100 in 1986, compared with a current total of 9,200."

The union's executive committee has voted unanimously to oppose the report, and is preparing both a parliamentary and public campaign against it. Mr Tony Christopher, IRSF general secretary, said yesterday the report, if implemented, would destroy the collection service as it existed at present.

Government intends to stop aid for Concorde services

BY LYNTON McLAIN IN LONDON AND DAVID MARSH IN PARIS

THE GOVERNMENT has told British Airways (BA) that it wants to end its financial "in-service" support for Concorde by the end of the financial year in March.

Nothing has been agreed, however, and Sir John King, chairman of the state-owned airline, said yesterday that so far as he was concerned, "*British Airways' Concorde* services will go on. We are happy with the future prospects for Concorde."

It emerged yesterday that BA is prepared to adopt a tough negotiating position with the Government in talks over the proposal to end financial support.

The support for Concorde came to £34.6m in the last financial year and is expected to fall to an estimated £19m in the year to the end of next March. These non-repayable grants pay for spares, modifications and the ground-based fatigue testing of a Concorde fuselage at Farnborough.

In its response to the proposal BA will tell the Government that it would prefer the ending of support to be deferred for a year.

In return, the airline wants the Government either to give it all the spares in stock for Concorde, or to reduce their cost to make them comparable with spares used for mass-produced civil aircraft.

British Airways is determined to counter the potential loss of support by demanding that the Government, in turn, would rescind its right to receive 80 per cent of the operating surpluses made by the *Concorde* fleet.

This right came into effect in February 1979, after the Government wrote off £160m *of public divi*dend capital associated with BA's purchase of its seven Concordes.

Once the Industry Department has received BA's formal response to its proposal to stop the support, talks at ministerial level with the French *authorities are expected to* resume. "The French are already aware that we have put these proposals to British Airways," the Industry Department said yesterday.

The French Government intends to continue subsidising a large portion *of the Concorde operating defi*cit of Air France, a spokesman for the Ministry of Transport in Paris made clear last night.

The policy under which the Government subsidises 90 per cent of Concorde's operating shortfall remained unchanged, he said.

Coal board cuts its wage bill

By John Lloyd

DOCUMENTS to be discussed at a meeting of the coal industry's National Consultative Council (NCC) today *show that the National Coal* Board (NCB) is pushing down wage costs through redundancies and increased productivity and intends to continue to do so.

The documents are the full version of excerpts released last week *by Mr Arthur Scargill*, president of the National Union of Mineworkers (NUM). They will form the major *part of the NCC's agenda.* The meeting will be boycotted by most of the NUM executive.

The full text of the documents is less damaging to the board than the selective passages released by Mr Scargill, who claimed they showed *the board's intention to run down* the industry. However, key passages talk of "progressive closure" of a number of uneconomic collieries while two statistical papers detail the big loss makers and 75 "short life" pits.

The documents points out that, "Wages, costs and wages charges . . . now form a reducing proportion of the board's colliery operating costs as capital intensiveness increases in the *industry.*" Wages now account for nearly 47 per cent of all costs.

State levy on cinemas likely to end

BY PETER RIDDELL, POLITICAL EDITOR

STATE intervention in the British film industry looks likely to be pruned significantly after a government review.

The main result may be the abolition of the levy on cinema tickets which has supported domestic films for the past 30 years.

Certain advisory bodies financed by the Government may also be closed down, including one chaired by Sir Harold Wilson, the former Labour Prime Minister.

The implications of these decisions could be far-reaching for independent film makers and particularly for the National Film Finance Corporation, which has invested in domestic films since 1949, from The Third Man to Bugsy Malone.

The review is being conducted by Mr Iain Sproat, a Department of Trade Parliamentary Under-Secretary, who has been a prominent advocate of reducing the state's role in sectors ranging from British Airways to tourism and films.

Mr Sproat is personally seeing all the parties involved and the Government's decisions should come *within a few months.* He has made no secret of his impatience with existing levies, advisory bodies and legislation.

Mr Sproat has already announced that the quota of films shown in UK cinemas which must come from Britain or the European Economic Community will be reduced from 15 per cent to zero in January.

The levy is at present one-twelfth of each ticket price, net of value-added tax, subject to exemptions for cinemas with low takings. It has raised between £6m and £8m in recent years.

Most of the proceeds go to the makers of British films, in proportion *to their success in the UK.* Since 1980, one-fifth of the levy proceeds or £1.5m (whichever is the greater) has been paid each year to the National Film Finance Corporation to support production.

The ending of the levy would threaten the corporation, although ministers have been saying it should raise finance on the market or by co-productions.

Advocates of the end of the levy *say that it tends to reward commer*cially successful films, including "skinflicks," which do not need support and that a potentially profitable film should be able to raise money on the market.

The interim action committee on *the film industry may also be abol*ished. It is chaired by Sir Harold Wilson and ministers, even Conservative ones, have felt reluctant to curtail an activity to which a former prime minister is so personally committed.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED TRUSTS

[illegible]

NOTES

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INSURANCE & OVERSEAS MANAGED FUNDS

INSURANCES

Abbey Life Assurance Co. Ltd. (z)
1 3 St. Paul's Churchyard, EC4P 4DX. 01-248 9111

Property Fund	212.9	224.2		—
Equity Fund	59.8	63.0	-0.6	—
Property Acc	261.3	275.1		—
Equity Acc	59.3	62.9	-0.5	—
Selective Fund	163.7	172.4	-0.8	—
Money Fund	171.2	180.3		—
Convertible Fund	183.7	193.4		—
Prop Fd Ser. 4	206.4	217.3		—
Equity Ser 4	65.9	69.4	-0.6	—
Man. Ser 4	224.1	235.9	-0.8	—
Money Ser 4	155.2	163.4		—
Conv. Ser 4	155.3	163.5	...	—
Fixed Int. Fd. Ser. 4	142.3	149.8		—
American Ser 4	148.9	156.8	+0.9	—
High Inc. Ser 4	127.3	134.0		—
Indexed Inv. Series 4	105.4	111.0		—
Pensions Property	314.3	330.9		—
Pensions Equity	341.9	359.9	-2.3	—
Pensions Selective	166.1	178.9	-0.9	—
Pensions Managed	335.8	353.5	-1.0	—
Pensions Security	231.8	244.1		—
Pensions Fixed Int.	138.8	146.2		—
Pensions Indexed Inv	105.9	111.5		—

Albany Life Assurance Co. Ltd.
31, Old Burlington St. W.1. 01-437 5962

Equity Fd. Acc.	356.0	374.7		—
Fixed Int. Acc.	231.5	243.7		0.2
Gtd. Money Fd. Ac.	160.2	168.6		—
Intl Man. Fd Acm.	157.3	165.6		—
Intl Fxd Int. Fd.	124.1	130.6		—
Prop. Fd. Acc.	157.8	166.0		—
M'ple Inv. Acc.	282.1	296.9		—
Equity Pen Fd Acc	502.0	528.4		—
Fixed I Pen.Acc.	400.0	421.0		—
G'td.Mon.Pen.Acc.	225.6	237.4		—
Intl Mn PnFdAcc	185.5	195.3		—
Prop Pen Acc.	209.3	220.3		—
M'ple Inv.Pen.Acc	423.9	446.2		—

AMEV Life Assurance Ltd.
2-6, Prince of Wales Rd., B'mouth. 0202 762122

Managed Fd.	221.9	233.8		—
Money Fd.	147.4	155.1		—
Equity Fd.	180.3	190.0		—
Fixed Int Fd.	116.1	122.3		—
Property Fd.	158.2	166.7		—
Managed Pen Fd.	204.0	215.0		—
Equity Pension Fd	119.8	126.2		—
Fixed Int. Pens. Fd.	153.4	161.6		—
High Yield Pens. Fd.	151.4	159.5		—
Money Pension Fd.	117.1	123.3		—
Property Pension Fd.	115.8	122.0		—
AMEV/Framlington				
American & Gen. Fd	191.3	201.6	+1.5	—
Income Fd.	149.4	157.4	-0.5	—
Intl. Growth Fd.	193.2	203.6	+0.6	—
Capital Fund	156.7	165.1	+0.6	—
Recovery Fund	107.6	113.4	+0.3	—

Barclays Life Assur. Co. Ltd.
252 Romford Rd., E7. 01-534 5544

Barclaybond	195.4	205.7	-0.2	—
Equity Accum.	193.0	203.2	-0.8	—
Do. Initial	193.0	203.2	-0.8	—
Gilt-Edged Accum.	158.4	166.8	-0.6	—
Do. Initial	158.4	166.8	-0.6	—
International Accum.	125.2	131.8	+1.0	—
Do. Initial	125.2	131.8	+1.0	—
Managed Accum.	168.0	176.9	-0.3	—
Do. Initial	168.0	176.9	-0.3	—
Money Accum.	138.4	145.7		—
Do. Initial	138.3	145.6		—
Property Accum.	180.0	189.5		—
Do. Initial	180.0	189.5		—
America Accum.	100.7	106.1	+0.3	—
Do. Initial	100.7	106.1	+0.3	—

Crown Life—Continued

DBS Managed	120.6	126.9	...	—
Crown. Brit. Inv. A	227.90		...	—
Pens. Mixed Fd.	169.1	175.2	+0.9	—
Pens. Mang'd Acc	125.8	132.4	-0.7	—
Pens. Mang'd Int	119.7	126.0	-0.6	—
Pens. Equity Acc.	115.2	121.2	+1.4	—
Pens. Equity Int.	109.3	115.0	-1.3	—
Pens. Fxd. Int. Acc	129.5	136.3	-1.3	—
Pens. Fxd. Int. Int	123.3	129.7	-1.2	—
Pens. Money Acc	113.6	119.5	+0.3	—
Pens. Money Int.	107.9	113.5	+0.3	—

Crusader Insurance PLC
Tower Hse, 38 Trinity Sq, EC3N 4DJ 488 2323

Growth Prop. Nov. 1	105.2	116.0		—
Mngd Pens Oct 13	128.81	135.50		—

Eagle Star Insur./Midland Assur.
1, Threadneedle St., EC2. 01-588 1212

Eagle/Mid Units	94.0	97.5	-1.3	5.22

Equity & Law Life Ass. Soc. Ltd.
Amersham Road, High Wycombe 0494 33377

UK Equities Fund	215.6	226.9	-2.8	—
Higher Inc. Fund	144.6	152.2	-1.3	—
Property Fund	196.3	206.6		—
Fixed Interest Fund	174.4	183.5	-0.9	—
Index Linked Secs Fnd	101.0	106.3	-0.1	—
Gtd. Deposit Fund	138.7	145.9		—
Nth America Fund	147.4	155.1	+2.7	—
Far East Fund	85.8	90.3	+1.2	—
International Fund	118.3	124.5	+1.4	—
Mixed Fund	195.6	205.8	-0.4	—

Equity & Law (Managed Funds) Ltd.
Amersham Road, High Wycombe 0494 33377

Ind Pen. Equity	215.9	227.2		—
Ind Pen. Property	148.7	156.5		—
Ind Pen. Fixed Int.	169.5	178.4		—
Ind. Pen. Inds Lk. Scs	108.3	113.9		—
Ind. Pen. Overseas	170.0	178.9		—
Ind. Pen Cash	140.6	148.0		—
Ind. Pen. Balanced	177.0	186.3		—
Ind. Pen Dep Admin	141.2	148.6		—

Prices at October 15. Next settlement November 19.
Group Pension Funds—Prices Available On Request.

Family Assurance Society
68, East Street, Horsham 0403 50255

Family A. Managed	182.2	185.9	...	—
Family B. Managed	98.7	100.7		—
Family C. Brit.	77.0	78.6		—
Family D. Fixed Int.	123.1	125.6		—
Family Capital Mngd.	98.0	100.0		—
Family Brit. II	59.7	60.9		—

G.T. Management Ltd.
16 Finsbury Circus, Lond. EC2M 7DJ 01-628 8131

G. T. Plan Bond Fund	108.6	114.4	-0.1	—
GT Pln High Yld Fnd.	104.8	110.4	-0.1	—
GT Plan Far East Fnd	83.2	87.6		—
GT Pln N Am Fund	131.9	138.9		—
GT Pln UK&G.E. Fnd	113.6	119.6		—
GT Pln Wrldwde Fnd.	102.6	108.0		—
GT Pension Bnd Fnd.	112.9	118.9	-0.1	—
GT Pen High Yld Fd.	114.2	120.3		—
GT Pen Far East Fd	83.7	88.2		—
GT Pen N. Am. Fd.	139.3	146.7		—
GT Pen UK & G.E. Fd.	122.1	128.6		—
GT Pen Worldwide Fd.	106.1	111.7		—

Assicurazioni GENERALI S.p.A.
117, Fenchurch St., EC3M 5DY. 01-488 0733

Intl. Managed Bond	151.1	159.1		—

General Portfolio Life Ins. C. Ltd.
Crossbrook St., Cheshunt, Herts. Waltham X 31971

Portfolio Fd. Acc.		209.1		—
Portfolio Fd. Int.		179.9		—
Portfolio Fd. Cap.		203.6		—
Portfolio Man. Acc.	61.6	64.8		—
Portfolio Man. Inc.	55.2	58.1		—

Growth & Sec. Life Ass. Soc. Ltd.

Lloyds Life Assurance—Continued

Op B USS Oct 28	119.5	125.8		11.6
Pens Pr Ac Oct 31	251.4	264.7		—
Pens Pr Cp Oct 31	186.4	196.3		—
Pens Eq Ac Oct 31	622.0	654.8		—
Pens Eq Cp Oct 31	461.2	485.5		—
PenFxAc Oct 31	330.6	348.0		—
Pens Fxd Oct 31	245.1	258.1		—
Pens Mng Ac Oct 31	426.5	449.0		—
Pens Mng Cp Oct 31	316.2	332.9		—
Pens Dp Ac Oct 31	254.8	268.3		—
Pens Dp Cp Oct 31	188.9	198.9		—
Britannia Funds—Series A				
Am Smlr Co's Nov 3	105.9	111.5		—
Am Spec Sits Nov 3	127.7	134.5		—
Commodity Nov 3	68.1	71.9		—
Extra Inc Nov 3	96.3	101.4		—
Far East Nov 3	79.6	83.8		—
Fin Secs. Nov 3	118.5	124.8		—
Gold & Gen Nov 3	77.4	81.5		—
Growth Nov 3	94.9	99.9		—
Inc Gwth Nov 3	111.8	117.7		—
Int Gwth Nov 3	94.2	99.2		—
Japan Prtl Nov 3	78.6	82.8		—
Mineral Nov 3	86.4	91.1		—
Nat High Inc Nov 3	105.5	111.1		—
Prop Shs Nov 3	82.9	87.3		—
Sp Mkt Nov 3	91.2	96.0		—
Recovery Nov 3	81.9	86.3		—
Smaller Co Nov 3	117.8	124.1		—
Univ Energy Nov 3	55.7	58.7		—
World Tec Nov 3	108.7	114.5		—
Man Growth Nov 3	106.3	111.9		—
Gilt Nov 3	111.2	117.1		—
HK Pert Nov 3	79.0	83.2		—
Australian Gth Nov 3	95.0	100.1		—
Gartmore Funds—Series A				
American Nov 2	123.2	129.7		—
British Nov 2	98.8	104.1		—
Commodity Nov 2	88.2	92.9		—
Extra Income Nov 2	105.3	110.9		—
Far Eastern Nov 2	75.6	79.6		—
High Income Nov 2	106.2	111.8		—
Income Nov 2	121.4	127.8		—
International Nov 2	122.5	129.0		—
Special Sits Nov 2	114.7	120.8		—
Gilt Nov 2	108.8	114.6		—
Japan Nov 2	92.9	97.8		—
UK Smlr Cos	104.5	110.1		—
Man Growth Nov 2	107.5	113.2		—
Australian Nov 2	95.0	100.1		—
Oil & Energy Nov 2	96.4	101.5		—

London A'deen & Nthn. Mtl. Assur. Ltd.
129 Kingsway, London, WC2B 6NF. 01-404 0393

'Asset Builder'	59.9	63.0		—

London Indemnity & Gnl. Ins. Co. Ltd
18-20, The Forbury, Reading 583511

Money Manager	51.4	54.5	+0.1	—
M.M. Flexible	44.0	46.4	+0.1	—
Fixed Interest	51.7	54.5		—

London Life Linked Assur. Ltd.
100, Temple St., Bristol, BS1 6EA. 0272-279179

Equity	183.1	188.5		—
Fixed Interest	158.7	159.4		—
Property	155.4	160.0		—
Deposit	135.4	135.4		—
Mixed	167.0	170.5		—

OFFSHORE AND OVERSEAS

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

1982 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
100	94⅛	Exch. 8¼pc 1983	99⅜	....	8.76	8.96
98⅝	91	Exch. 3pc 1983	98⅝	....	3.04	7.83
101¼	95¼	Treasury 12pc 1983‡‡	101⅛	....	11.87	8.69
100⅝	92⅞	Treasury 9¼pc '83	100⅝	....	9.19	8.23
104⅝	96⅞	Exch. 13½pc '83	104⅝xd	....	12.90	8.75
101¼	91⅞	Exch. 10pc 1983	101¼xd	....	9.83	8.33
98¼	87⅞	Funding 5½pc '82-84‡‡	98¼	....	5.60	8.37
103¼	91⅞	Exch. 11¼pc 1984	103	....	10.92	8.65
107⅛	96¼	Exchequer 14pc 1984	106⅞xd	....	13.10	9.14
94½	81⅛	Exch. 3pc 1984	94	....	3.19	7.00
105	91½	Treasury 12pc 1984	104¾	....	11.46	9.17
112	96¾	Treasury 15pc 1985	111½	....	13.45	9.25
112¼	89½	Exch. 12pc Cnv. '85	111¾	+¼	10.74	6.56
91¾	73½	Treasury 3pc 1985	91¾xd	....	3.28	6.77
105¼	87½	Treasury 11½pc 1985	104⅞	....	10.97	9.43
25¾	24¼	Treas 8¼pcCv85 (£25pd)	25¾	+½	8.58	8.31
107⅞	88⅝	Exch. 12¼pc 1985	107xd	....	11.45	9.55
106¼	86¼	Exch. 11¾pc '86	106	....	11.08	9.55
89	69	Treasury 3pc 1986	89xd	....	3.37	6.55
107¼	86¼	Treasury 12pc '86	107¼xd	....	11.19	9.53
99¼	80⅛	Treasury 8½pc '84-86‡‡	99¼	....	8.52	8.57
116¾	96½	Treas. 12¼pc '86 Cnv.	115⅛	+¼	10.64	7.46
114	91⅞	Exch. 14pc 1986	113½	....	12.33	9.81
111⅞	90	Exch. 13¼pc 1987	111½	....	11.88	9.80
103½	98¼	Exch. 10½pc 1987	103	....	10.19	9.63
94¼	73⅞	Funding 6½pc '85-87‡‡	94½	....	6.88	7.99
85	64½	Treasury 3pc 1987	84¾	....	3.54	6.86
108½	85¼	Treas. 12pc 1987	108⅜	....	11.07	9.83
		Five to Fifteen Years				
97	72½	Treasury 7¼pc '85-88‡‡	96½	....	8.22	9.14
65¾	59⅝	Exch 10½pc '88 (£60 pd)	64⅝	–⅛	10.35	10.15

LOANS—Continued

1982 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		Financial				
103¾	95½	FFI 14pc '83	103½	–¼	13.53	10.59
94½	80	FFI(Uk Fn)6¼pcDb '81-84	91xd	–½	6.87	11.20
103½	82½	Do. 10¾pc Uns Ln '86	101¾	+¼	10.73	11.30
104	78	Do. 11pc Uns.Ln. '88	104	....	10.58	10.20
105	78	Do. 11¼pc Uns.Ln. '90	105	....	11.65	11.60
107	82	Do. 12½pc Un. Ln. 1992	106½	–½	11.96	11.70
82	54	Do. 7¼pcADeb. '89-92	81	–½	9.36	10.80
79½	53	Do. 7¼pcADeb. '91-94	78	–½	9.52	10.90
90	62	Do. 9pc 'A' '91-94	89	–¼	10.29	10.90
87	57⅞	Do. 8¾pcLn. '92-97	86½	–½	10.58	11.00
		Building Societies				
101	99½	Nat'wide 15¼pc 24.11.82	100⅛xd	–⅛	15.36	12.40
101¾	99¼	Do. 15¼pc 13.12.82	100¼	–⅛	15.21	11.94
102	99¼	Do. 16¼pc 17.1.83	101	–⅛	16.09	11.20
102⅛	100	Do. 15⅝pc 7.2.83	101¼	–⅛	15.43	10.04
101⅞	99⅝	Do. 14¼pc 14.3.83	101⅜	–⅛	14.06	10.66
102¼	99⅝	Do. 14¼pc 4.4.83	101⅝	....	14.02	10.16
102⅝	100⅛	Do. 14¾pc 25.4.83	102⅜	+⅛	14.41	9.47
102¼	99⅜	Do 13⅞pc 23.5.83	102½xd	–¼	13.54	9.23
102⅞	100⅛	Do. 13½pc 3.6.83	102⅞xd	+⅛	13.55	8.95
102¼	100⅛	Do. 14pc 4.7.83	102¼	+¼	13.62	9.67
102¼	100⅛	Do. 13¼pc 25.7.83	102¼	+¼	12.84	9.84
101½	99⅞	Do. 11⅞pc 15.8.83	101½	+¼	11.70	9.85
101	99⅞	Do. 11¼pc 30.8.83	101	+⅛	11.14	9.93

FOREIGN BONDS & RAILS

1982 High	Low	Stock	Price £	+ or –	Div. % Gross	Red. Yield
17	10	Chinese 4½pc 1898	11	......	—	—
14	11	Do. 5pc 1912	11	......	—	—
14	6	Do. 5pc 1913	11	......	—	—
12	6	Do. 5pc '25 Boxer	7	......	—	—
44	42	Greek 7pc Ass.	43	......	3½	8.25
42	40	Do. 6pc 28 Stb. Ass.	41	......	3	7.59
38	35	Do 4pc Mixed Ass.	38	......	2	5.27
35	25	Hung. '24 Ass.	28	......	2¼	10.23
122	87½	Hydro Quebec 15pc Ln 2011	114xd	......	15	13.00
75	58	Iceland 6½pc '83-88	75	......	6½	12.90

AMERICANS

CANADIANS

1982 High	Low	Stock	Price	+ or –	Div. Gross	C'vr	Gr's
44	25½	Seagram Co. C$1	43½	+½	US$1.00	—	2.4
17¾	994p	Tor. Dom. Bk. $1	17¾	+⅛	$2.00	—	5.4
12½	743p	Trans Can. Pipe	12½	......	$1.16	—	4.5

BANKS AND HIRE PURCHASE

1982 High	Low	Stock	Price	+ or –	Div. Net	C'vr	Y'ld Gr's	P/E
282	182	ANZ $A1	204	–1	Q28c	3.3	7.8	3.9
315	205	Alexanders D. £1	303	–7	18.5	—	8.7	—
£63½	£48	Algemene Fl.100	£59	+1½	vQ26%	1.8	9.2	6.0
100	75	Allied Irish	96	+6	Q45.3%	4.0	10.0	3.2
*16¾	10¼	Ansbacher (H.) 5p.	10½	–½	0.35	—	4.8	—
275	200	Bk. Ireland £1	245	......	Q29%	—	10.1	—
3½	2	Bk. Leumi S0.1	2¼c	......	—	—	—	—

Index-Linked & Variable Rate

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

1982 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
98⅞	85¼	Aust. 6pc 1981-83	96½xd	....	6.19	9.01
116¼	99¼	Do. 13½pc 2010	114¾	....	11.86	11.79
81¼	57	N.Z. 7½pc 1988-92	81¼	....	9.14	10.73
93½	74¼	Do. 7½pc '83-86	92¼	....	8.35	10.94
167	136	S. Rhod. 2½pc Non-Ass.	167	....	—	—
78	58	Do. 3½pc 80-85 Assd.	78	....	4.52	13.20
54½	32	Do. 4½pc 87-92 Assd.	54½	+1½	8.43	13.40
402	318	Zimbabwe Ann (£100pa)	398	....	—	14.15

LOANS

Public Board and Ind.

1982 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
74¾	57¼	Agric. Mt. 5pc '59-89	74¾	....	6.84	10.76
38	24¾	Met. Wtr. 3pc 'B'	37½xd	–½	8.10	10.59

BANKS & H.P.—Cont.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

CHEMICALS, PLASTICS—Cont.

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS—Continued

ENGINEERING MACHINE TOOLS

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INSURANCES

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

MINES—Continued

Central African

1982 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
200	75	Falcon Rh 50c	180		Q25c	10 3	7 1
33	18	Wankie Col. 25t	19		f0.5c	1 2	7.9
21	12	Zam Cpr SBD0 24	16	+1	—	—	—

Australians

Tins

Miscellaneous

NOTES

REGIONAL AND IRISH STOCKS

OPTIONS

3-month Call Rates

Industrials					
Allied-Lyons	15	House of Fraser	15	Std. Drapery	7
BOC Grp	17	I.C.I.	24	Vickers	12
B.S.R.	6	"Imps"	10	Woolworths	8½
Babcock	10	I.C.L.	8		
Barclays Bank	35	Ladbroke	16	**Property**	
Beecham	35	Legal & Gen	26	Brit. Land	7½
Blue Circle	44	Lex Service	16	Cap Counties	12
Boots	22	Lloyds Bank	35	Land Secs.	26
Bowaters	19	"Lofs"	4	MEPC	17
Brit. Aerospace	20	London Brick	11	Peachey	14
B.A.T.	50	Lucas Inds	12	Samuel Props.	10
Brown (J.)	4	"Mams"	12	Town & City	3
Burton Ord	24	Mrks. & Spncr	16		
Cadburys	11	Midland Bank	30	**Oils**	
Courtaulds	8	N.E.I.	9	Brit. Petroleum	26
Debenhams	8½	Nat. West. Bank	38	Burmah Oil	12
Distillers	20	P & O Dfd	14	Charterhall	5
Dunlop	5½	Plessey	50	KCA	6
Eagle Star	30	Racal Elec.	45	Premier	4
F.N.F.C.	4	R.H.M.	6	Shell	35
Gen. Accident	30	Rank Org. Ord	15	Tricentrol	22
Gen. Electric	24	Reed Intnl	26	Ultramar	42
Glaxo	90	Sears	6		
Grand Met.	25	T.I.	13	**Mines**	
G.U.S. 'A'	50	Tesco	8	Charter Cons.	20
Guardian	35	Thorn EMI	38	Cons. Gold.	40
G.K.N.	15	Trust Houses	13	Lonrho	6
Hawker Sidd	30	Turner & Newall	4	Rio T. Zinc	42
		Unilever	65		

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 39

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £600 per annum for each security

Companies and Markets **CURRENCIES, MONEY and CAPITAL MARKETS**

FOREIGN EXCHANGES

Dollar reaches new peaks

The dollar touched record levels in currency markets yesterday, underpinned by firm U.S. interest rates. The prospect of an early cut in the U.S. discount rate took another blow as the market reacted to further rises in M1 money supply figures. The dollar touched record levels against the Italian lira, French franc and some Scandinavian currencies.

Sterling lost ground against the dollar in line with other major currencies but continued to show a strong performance against European currencies.

DOLLAR — Trade weighted index (Bank of England) 126.7 against 111.7 six months ago. High interest rates as a result of inflationary pressures caused by above target money supply have kept the dollar firm, and the U.S. currency has not been adversely influenced by hopes of lower interest rates to stimulate a weakening economy — The dollar rose to DM 2.5940 against the D-mark from DM 2.5790 and SwFr 2.2360 from SwFr 2.2240. Against the French franc it closed at FFr 7.3250 from FFr 7.27 and L1,485 from L1,476.25 in terms of the lira. The Japanese yen moved against the trend and the dollar lost ground to Y275.70 from Y276.30.

STERLING — Trading range against the dollar in 1982 is 1.9260 to 1.6535. October average 1.6967. Trade weighted index 91.8 against 91.9 at noon, and 91.9 at the opening compared with 92.0 at Friday's close and 90.0 six months ago. The pound is at a six-year low against the dollar, but remains firm against Britain's major European trading partners, helped by falling inflation—Sterling fell to $1.6530-1.6540, its lowest level since November 1976 but improved against the D-mark to DM4.2925 from DM 4.29. It was unchanged against the Swiss franc at SwFr 3.70 but improved in terms of the French franc to FFr 12.11 from FFr 12.09.

DEUTSCHE MARK—Trading range against the dollar in 1982 is 2.5940 to 2.2410. October average 2.5302. Trade-weighted index 125.7 against 125.2 six months ago. The Deutsche Mark remains strong overall, despite a firm dollar, helped by an improving balance of payments position and confidence in the economic policy of the new Government—The Deutsche Mark fell to its lowest level for over six years against the dollar at yesterday's fixing in Frankfurt. The Bundesbank sold $60m as the dollar was fixed at DM 2.5899 up from DM 2.5734 as prospects of an early cut in U.S. interest rates receded. The pound was fixed lower at DM 4.2910 from DM 4.2920, while the Swiss franc improved to DM 1.1609 from DM 1.1584. Within the EMS the French franc rose to DM 35.485 per FFr 100 from DM 35.425 and the Belgian franc was higher at DM 5.1640 per BFr 100 compared with DM 5.15.

DUTCH GUILDER — Trading range against the dollar in 1982 is 2.8190 to 2.4585. October average 2.7584. Trade weighted index 117.9 against 115.5 six months ago. Energy earnings from natural gas have kept the Dutch balance of payments position strong and the guilder firm against the D-mark. The Dutch guilder was a little weaker overall at yesterday's fixing in Amsterdam. The dollar rose to Fl 2.8150 from Fl 2.8000 and sterling was higher at Fl 4.6710 compared with Fl 4.6660. Within the EMS the D-mark slipped to Fl 1.08824 from Fl 1.0888 while the French franc was fixed higher at Fl 38.63 per FFr 100 against Fl 38.58.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU November 8	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9704	45.5672	+1.33	+1.52	±1.5501
Danish Krone	8.23400	8.24563	+0.14	-0.07	±1.6430
German D-Mark	2.33379	2.35217	+0.79	+0.58	±1.0888
French Franc	6.61387	6.63367	+0.30	+0.09	±1.3940
Dutch Guilder	2.57971	2.56018	-0.76	-0.97	±1.5004
Irish Punt	0.691011	0.690496	-0.07	-0.28	±1.6691
Italian Lira	1350.27	1348.67	-0.12	-0.33	±4.1369

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

OTHER CURRENCIES

Nov. 8	£	$		£ Note Rates
Argentina Peso	65,907-65,947	39,750-39,800	Austria	30.00-30.30
Australia Dollar	1.7700-1.7725	1.0705-1.0710	Belgium	85.60-86.60
Brazil Cruzeiro	372.50-373.50	224.29-225.61	Denmark	14.99-15.14
Finland Markka	9.1665-9.1995	5.5630-5.5650	France	12.04-12.16
Greek Drachma	119.457-121.075	73.55-73.65	Germany	4.27-4.31
Hong Kong Dollar	11.10-11.194	6.75-6.77	Italy	2435-2465
Iran Rial	145.45*	86.70*	Japan	458-463
Kuwait Dinar (KD)	0.4864-0.4869	0.2941-0.2942	Netherlands	4.65-4.69
Luxembourg Fr.	83.00-83.10	50.20-50.22	Norway	12.09-12.21
Malaysia Dollar	3.9090-3.9150	2.3650-2.3670	Portugal	153-158
New Zealand Dlr.	2.3410-2.3460	1.4160-1.4180	Spain	194-207
Saudi Arab. Riyal	5.6910-5.6970	3.4410-3.4420	Sweden	12.42-12.54
Singapore Dollar	3.6680-3.6690	2.2160-2.2180	Switzerland	3.66-3.72
Sth. African Rand	1.8095-1.9115	1.1550-1.1560	United States	1.64-1.66
U.A.E. Dirham	6.0730-6.0830	3.6720-3.6735	Yugoslavia	116-133

*Selling rates.

CURRENCY MOVEMENTS

Nov. 8	Bank of England Index	Morgan Guaranty Changes %
Sterling	91.8	-31.6
U.S. dollar	126.7	+15.1
Canadian dollar	99.5	-16.3
Austrian schilling	117.9	+28.4
Belgian franc	93.9	-2.6
Danish kroner	81.8	-12.2
Deutsche mark	125.7	+50.9
Swiss franc	143.7	+99.9
Guilder	117.9	+26.5
French franc	72.8	-21.0
Lira	52.5	-59.2
Yen	136.4	+20.2

Based on trade weighted changes from Washington agreement December 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

Nov. 8	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.639582	0.548354
U.S. $	9	1.05966	0.908348
Canadian $	11.25	[illegible]	1.11018
Austria Sch.	5¾	19.2593	16.4956
Belgian F	11	53.1711	45.5672
Danish Kr.	11	9.62385	8.24563
D mark	5	2.74641	2.35217
Guilder	5½	2.98612	2.56018
French Fr.	9½	7.73976	6.63367
Lira	19	1573.35	1348.67
Yen	5½	293.996	250.613
Norwgn. Kr.	9	7.76801	6.64856
Spanish Pta.	8	126.151	108.131
Swedish Kr.	10	7.87606	6.75441
Swiss Fr.	5	2.36389	2.02698
Greek Dr'ch	20½	78.0493	66.8453

* CS/SDR rate for Nov 5: 1.29666

THE POUND SPOT AND FORWARD

Nov. 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.6510-1.6620	1.6530-1.6540	0.05-0.10c dis	-0.54	0.28-0.38dis	-0.80
Canada	2.0100-2.0260	2.0200-2.0210	0.35-0.45c dis	-2.38	1.05-1.15dis	-2.18
Nethlnd.	4.65-4.68	4.65½-4.66½	2-1c pm	3.90	3½-2¾ pm	2.68
Belgium	85.39-85.75	85.00-85.10	20-30c dis	-3.61	75-85 dis	-3.76
Denmark	15.00-15.06	15.02½-15.03½	1¾-17/8ore dis	-12.16	[illegible] dis	-10.86
Ireland	1.2560-1.2640	1.2560-1.2580	0.37-0.65p dis	-4.33	1.22-1.42dis	-4.20
W. Ger.	4.25-4.31	4.29-4.30	2-1¾pf pm	5.53	2½-1¾ pm	1.98
Portugal	151.50-153.00	151.75-152.25	150-450c dis	-23.68	465-1230dis	-22.17
Spain	196.75-197.50	196.80-197.00	365-425c dis	-24.07	1030-1120dis	-21.84
Italy	2452-2462	2454-2456	21¼-24 lire dis	-11.13	63-68 dis	-13.93
Norway	12.09-12.14	12.09-12.10	5½-6½ore dis	-5.11	17¾-19¾dis	-6.12
France	12.08-12.12	12.10½-12.11½	4½-4½c dis	-4.45	22½-26½dis	-8.09
Sweden	12.45-12.49	12.46-12.47	4½-5¼ore dis	-4.93	13½-14½dis	-4.55
Japan	454-459	456½-457½	2.90-2.75y pm	7.42	7.80-7.55 pm	6.73
Austria	30.00-30.20	30.05-30.10	6½-4½gro pm	2.19	14½-9¾ pm	1.62
Switz.	3.68-3.71½	3.69½-3.70½	2¼-1¾c pm	8.09	5½-4½ pm	5.41

Belgian rate is for convertible francs. Financial franc 85.95-86.05. Six-month forward dollar 0.68-0.78c dis, 12-month 1.80-1.95c dis.

THE DOLLAR SPOT AND FORWARD

Nov. 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6510-1.6660	1.6530-1.6540	0.05-0.10c dis	-0.54	0.28-0.38dis	-0.80
Ireland†	1.3125-1.3160	1.3125-1.3135	0.40-0.30c pm	3.19	1.15-1.00 pm	3.27
Canada	1.2215-1.2230	1.2215-1.2225	0.17-0.20c dis	-1.82	0.46-0.49dis	-1.55
Nethlnd.	2.8190-2.8220	2.8180-2.8200	0.80-0.70c pm	3.20	2.45-2.35 pm	3.39
Belgium	50.15-50.25	50.20-50.22	13-15c dis	-3.40	38-42 dis	-3.19
Denmark	9.0740-9.0975	9.0875-9.0975	5½-6ore dis	-8.27	17.35-18.35d	-7.86
W. Ger.	2.5870-2.5960	2.5935-2.5945	0.57-0.52pf pm	2.51	1.81-1.76 pm	2.75
Portugal	91.50-92.10	91.80-92.10	90-265c dis	-23.15	230-695dis	-20.11
Spain	119.00-119.15	119.05-119.10	220-295c dis	-24.19	660-800dis	-21.00
Italy	1484-1485½	1484½-1485½	10-20 lire dis	-15.35	46-49 dis	-12.79
Norway	7.3100-7.3250	7.3140-7.3160	3.10-3.60ore dis	-5.50	9.10-9.60dis	-5.11
France	7.2850-7.3300	7.3225-7.3275	2¼-3¼c dis	-4.50	12-14 dis	-7.36
Sweden	7.5230-7.5430	7.5380-7.5430	2.60-3.00ore dis	-4.46	6.60-7.20dis	-3.71
Japan	275.00-276.75	275.65-275.75	0.68-0.60y pm	2.78	1.95-1.85 pm	2.75
Austria	18.15½-18.19½	18.17-18.18	4¾-3¼gro pm	2.47	12-9½ pm	2.36
Switz.	2.2275-2.2375	2.2355-2.2365	1.27-1.22c pm	6.62	3.48-3.41 pm	6.16

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 51.55-52.05.

EXCHANGE CROSS RATES

Nov. 8	Pound St'rling	U.S. Dollar	Deutschem'k	Japanese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.654	4.293	456.0	12.11	3.700	4.663	2455.	2.021	85.05
U.S. Dollar	0.605	1.	2.596	275.8	7.324	2.238	2.820	1485.	1.222	50.32
Deutschemark	0.233	0.384	1.	106.2	2.821	0.862	1.086	571.9	0.471	19.36
Japanese Yen 1,000	2.193	3.626	9.413	1000.	26.56	8.114	10.22	5384.	4.431	182.1
French Franc 10	0.826	1.365	3.545	376.5	10.	3.055	3.850	2027.	1.668	68.98
Swiss Franc	0.270	0.447	1.160	123.2	3.273	1.	1.260	663.5	0.546	22.49
Dutch Guilder	0.214	0.355	0.921	97.80	2.597	0.794	1.	526.5	0.433	17.81
Italian Lira 1,000	0.407	0.674	1.748	185.7	4.933	1.507	1.899	1000.	0.823	33.83
Canadian Dollar	0.495	0.818	2.124	225.7	5.994	1.831	2.308	1215.	1.	40.10
Belgian Franc 100	1.204	1.991	5.169	549.1	14.58	4.455	5.614	2956.	2.433	100.

FINANCIAL FUTURES

Liffe prices ease

Prices were mostly softer in the London International Financial Futures market yesterday. Trading was confined to a narrow range in the various contracts in a lacklustre day. In the Euro-dollar sector the December contract opened easier at 90.44 down from Friday's close of 90.54 and traded between a low of 90.39 and a high of 90.47 before finishing at 90.42, a loss of 12 points. The early fall continued a bearish trend in late Chicago trading on Friday with news of a $2.7bn increase in U.S. M1 money supply taken as a depressing factor. In addition the Federal Reserve entered the market on Friday to drain reserves in a technical move which still served to push rates higher. This left little scope according to the market for an early cut in the U.S. discount rate which prompted some reluctance to liquidate long positions ahead of any such move.

The reluctance to trade was also a reflection of the rather sluggish turnover in the cash market while Chicago failed to provide any fresh impetus, opening much in line with levels in London. Volume in the five contracts slipped to 1,333 from 2,509 on Friday, the lowest volume since trading began.

Three-month sterling deposits showed little overall change with comments made by Sir Geoffrey Howe, Chancellor of the Exchequer coming too late in the day to affect trading.

Trading in the currency pit was extremely slow with both December contracts in sterling and the D-mark touching record lows as the dollar continued to advance in the spot market. Sterling for December delivery fell 1.05c to close at 1.6565 with volume traded in the two contracts amounting to 356 against 262 on Friday. The D-mark fell to a record low of 0.3867 compared with 0.3882 with only 42 lots traded all day.

LONDON

3-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Dec	90.42	90.47	90.39	90.54
March	90.06	90.12	90.05	90.13
June	89.69	89.75	89.71	89.78
Sept	89.42	89.45	89.45	89.53
Dec	89.25	—	—	89.33

Volume 1,333 (2,509)
Previous day's open int. 2,257

3-MONTH STERLING DEPOSIT £250,000 points of 100%

	Close	High	Low	Prev
Dec	91.33	91.34	91.27	91.40
March	91.44	91.43	91.31	91.54
June	91.36	91.42	91.21	91.58

Volume 1,296 (1,531)
Previous day's open int. 1,418

STERLING £25,000 $ per £

	Close	High	Low	Prev
Dec	1.6565	1.6585	1.6555	1.6670
March	1.6660	1.6640	1.6610	1.6705

Volume 366 (262)
Previous day's open int. 988

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
Dec	0.3867	0.3871	0.3867	0.3882
March	0.3899	—	—	0.3924

Volume 42 (37)
Previous day's open int. 573

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Dec	78.03	78.06	77.22	78.14
March	77.07	77.10	76.29	77.18
June	76.20	76.23	76.16	77.03
Sept	76.31	77.01	76.22	77.03
Dec	76.26	76.30	76.17	77.03
March	76.23	76.28	76.17	77.03
June	76.18	76.23	76.16	77.03
Sept	76.19	76.23	76.17	77.03
Dec	76.19	77.00	76.17	77.03
March	—	—	—	77.03
June	—	—	—	77.03

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	92.27	92.30	92.17	92.27
March	91.63	91.64	91.53	91.68
June	91.15	91.18	91.08	91.25
Sept	90.77	90.84	90.77	90.91
Dec	90.42	90.45	90.38	90.58
March	90.57	90.62	90.55	90.65
June	90.52	90.52	90.46	90.60
Sept	—	—	—	90.46

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	90.96	90.98	90.89	91.05
March	90.42	90.45	90.35	90.54
June	89.94	89.99	89.84	90.08
Sept	89.73	89.73	89.71	89.81

3-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	90.34	90.38	90.26	90.39
March	89.81	89.84	89.77	89.93
June	89.42	89.45	89.39	89.52
Sept	89.17	89.17	89.17	89.28

STERLING (IMM) Se per £

	Latest	High	Low	Prev
Sept	16495	16560	16495	16620
Dec	16530	16570	16495	16625
March	16540	16610	16525	16665
June	16690	16690	16690	16770
Sept	—	—	—	—
Dec	—	—	—	—
March	—	—	—	—

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Dec	69.29	69.31	69.14	70.02
March	69.19	69.20	69.01	69.21
June	69.01	69.10	68.29	69.12
Sept	68.27	69.02	68.21	69.05
Dec	68.17	68.22	68.11	68.29
March	68.20	68.20	68.16	69.01
June	68.15	68.23	68.15	68.31
Sept	68.13	68.13	68.13	68.30
Dec	—	—	—	68.30
March	—	—	—	68.29
June	—	—	—	68.28
Sept	—	—	—	68.28

MONEY MARKETS

London rates steady

UK clearing bank base lending rate 9 per cent (since November 3 and 8)

Interest rates were little changed in the London money market yesterday, with seven-day interbank money trading around 9¼ per cent throughout. Although the downward trend in rates is expected to continue, last week's cut in clearing bank base rates has given the market nothing to look forward to in the immediate future. The failure of the Federal Reserve to cut its discount rate on Friday, and disappointing U.S. money supply figures, also depressed sentiment.

The Bank of England forecast a shortage of £400m, and gave help of £386m through outright purchases of bills from the market at unchanged dealing rates. A fall in the note circulation after the weekend added £220m to liquidity, but this was *more than offset by a drain of* £459m from bills maturing in official hands and a take-up of Treasury bills by the market from Friday's tender, plus another £100m from Exchequer transactions.

Before lunch the authorities bought £275m bills, mainly band 2 bank bills, from the market. An amount of £33m bank bills in band 1 (up to 14 days maturity) were purchased at 9⅛ per cent; £4m local authority bills in band 2 (15-33 days) at 9 per cent; £184m bank bills in band 2 at 9 per cent; £37m bank bills in band 3 (34-63 days) at 8⅞ per cent; £4m Treasury bills in band 4 (64.91 days) at 8¾ per cent: and £23m bank bills in band 4 (64-84 days) at 8¾ per cent.

In the afternoon the Bank of England gave further help of *£111m by buying £28m bank bills* in band 2 at 9 per cent; £8m local authority bills in band 3 at 8⅞ per cent; £61m bank bills in band 3 at 8⅞ per cent; and £14m bank bills in band 4 at 8¾ per cent.

In Frankfurt call money eased to 7 per cent from 7.10 per cent following the injection of liquidity from a new securities repurchase plan. On Friday the Bundesbank accepted bids of DM 8.7bn at a rate of 6.9 per cent. *Total applications were DM 27bn.* The money supplied by way of securities repurchase *agreements should help banks* reduce borrowing under the Lombard facility, which was around DM 10bn on Friday, and also allow banks to build up minimum reserves at the central bank.

In Paris the Bank of France increased the rate on call money to 13¼ per cent from 13⅛ per cent, and left its money market *intervention rate unchanged 13* per cent, when offering to buy about FFr 3bn of first *category paper maturing* between November 26 and 29.

LONDON MONEY RATES

Nov. 8 1982	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills Φ	Eligible Bank Bills Φ	Fine Trade Bills Φ
Overnight	—	9-9¼	9¼	—	—	9½	9-9⅛	—	—	—
2 days notice	—	—	9⅛-9¼	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	9¼-9½	9⅛-9¼	—	—	—	9-9⅛	—	—	—
One month	9⁷⁄₁₆-9¼	9⁵⁄₁₆-9³⁄₁₆	9⅜	10⅛-9¾	9½-9⅜	9⅝-9¾	9	9⅓₂	9⅛	9⅝
Two months	9⅜-9⅛	9¼-9⅛	9¼	9⅞-9½	9¼	9¾	8½-8¾	8⅔₂-⅞	8⅞	9⅛
Three months	9⅛-9	9⅛-9	9⅛	9⅜-9¼	9⅛	9⅜	8-8½	8⅝-⅔₂	8¾-⅛	9⅛
Six months	8¾-8⅝	8⅞-9⅛	9⅛	9-8¾	9⅛	9⅛	—	—	8⅞	8⅞
Nine months	8¾-8⅝	8⅞-9⅛	—	9¼-8⅞	9	—	—	—	—	—
One year	8¾-8⅝	8⅞-9⅛	9⅛	9-8⅝	9	—	—	—	—	—
Two years	—	—	9⅞	—	—	—	—	—	—	—

ECGD Fixed Rate Sterling Export Finance, Scheme IV Average Rate for interest period October 6 to November 2 1982 (inclusive): 3.753 per cent.

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates nominally three years 10¾ per cent; four years 10½ per cent; five years 10⅝ per cent; Φ Bank bill rates in table are buying rates for prime papers. Buying rates for four-month bank bills 8¾-8²¹⁄₃₂ per cent; four-month trade bills 9¼ per cent.

Approximate selling rate for one-month Treasury bills 8²⁷⁄₃₂-8²⁵⁄₃₂ per cent; two-months 8²³⁄₃₂-8¾ per cent; and three-months 8⅝-8¹⁷⁄₃₂ per cent. Approximate selling rate for one-month bank bills 9⅓₂ per cent two-months 8²¹⁄₃₂-8²⁵⁄₃₂ per cent and three-months 8⁹⁄₁₆-8⅝ per cent; one-month trade bills 9¹⁵⁄₃₂ per cent; two-months 9¼ per cent; three-months 9⅓₁₆ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 10½ per cent from November 1 1982. London and Scottish Clearing Bank Rates for lending 9 per cent. London Clearing Deposit Rates for sums at seven days' notice 5½ per cent.

Treasury Bills Average tender rates of discount 8.5089 per cent. Certificates of Tax Deposit (Series 6). Deposits of £100,000 and over held under one-month 9½ per cent; one-three-months 9¼ per cent; three-12-months 9 per cent. Under £100,000 8¾ per cent from November 5. Deposits held under Series 1-5 9 per cent. The rate for all deposits withdrawn for cash 7¾ per cent.

INTEREST RATES

EURO-CURRENCY INTEREST RATES
(Market closing rates)

Nov. 8	Short term	7 days notice	Month	Three Months	Six months	One Year
Sterling	9¼-9⅜	9¼-9½	9⅛-9⅜	9⅛-9⅛	9-9⅛	9⅛-9¼
U.S. Dollar	9½-9⅝	9½-9¾	9⅞-9⅞	9½-9¾	9¾-10	10⅛-10⅜
Can. Dollar	11½-12	11½-12	11⅛-11⅜	11⅛-11⅜	11-11¼	11-11¼
D. Guilder	6¼-6⅝	6¼-6⅝	6¼-6⅝	6⅛-6¼	6¼-6⅝	6½-6⅝
S. Franc	1½-2	2-2¼	2⅛-2⅞	3½-3⅝	3⅞-4⅛	4⅛-4⅜
Deutschm'rk	7-7⅛	6⅞-7⅛	7-7⅛	7-7⅛	6⅞-7⅛	6⅞-7
Fr'nch Franc	13-13½	13¾-14	14⅛-15¼	17½-18	18⅛-18⅞	16⅛-16⅞
Italian Lira	17-22	22¾-25½	23⅞-25½	22⅝-23	21⅛-22⅛	21⅛-22
Belg. Franc						
Conv.	12-13½	12½-13½	12½-13	12½-13¼	12¾-13¼	12¾-13¼
Fin.	12¼-12¾	12½-12¾	12½-12¾	12⅝-12⅞	12⅝-12⅞	12⅝-12⅞
Yen	6½-6¾	6⅝-6¾	6¾-6⅞	7⅛-7⅛	6⅞-7	6⅞-7
D. Krone	19-19½	18½-19	17¼-17¾	17⅜-17⅞	17-17½	16⅛-16⅝
Asia $ (Sing.)	9⅜-9⅝	9⅝-9¾	9⅞-9⅞	9⅞-9⅞	9⅞-9⅞	10⅛-10¼

FT LONDON INTERBANK FIXING
(11.00 a.m. NOVEMBER 8)

3 months U.S. dollars		6 months U.S. dollars	
9 3/4 bid	offer 9 7/8	bid 9 13/16	offer 9 15/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Prime rate	11½-12
Fed funds (lunch-time)	9½
Treasury bills (13-week)	7.82
Treasury bills (26-week)	8.38

GERMANY

Lombard	7.0
Overnight rate	7.0
One month	7.05
Three months	7.25
Six months	7.175

FRANCE

Intervention rate	13
Overnight rate	13.25
One month	13.0625
Three months	12.0375
Six months	12.5625

JAPAN

Discount rate	5.5
Call (unconditional)	6.78125
Bill discount (3-month)	7.21875

SWITZERLAND

Discount rate	5.0
Overnight rate	1¾-2¼
One month	2¾-2⅞
Three months	3¼-3⅜

NETHERLANDS

Discount rate	5½
Overnight rate	6¼-6½
One month	6¼-6⅜
Three months	6¼-6⅜
Six months	6¼-6½

$ CERTIFICATES OF DEPOSIT

One month	9.05-9.15
Three months	9.15-9.25
Six months	9.25-9.35
One year	9.65-9.85

LONG TERM EURO $

Two years	11⅜-11⅝
Three years	11⅞-12⅛
Four years	12⅛-12⅜
Five years	12⅜-12⅞

SDR LINKED DEPOSITS

One month	9⅓₁₆-9⁹⁄₁₆
Three months	9⅛-9⅜
Six months	9⁹⁄₁₆-9¹⁵⁄₁₆
One year	9¾-10¼

ECU LINKED DEPOSITS

One month	10¹⁵⁄₁₆-11⅓₁₆
Three months	10¹⁵⁄₁₆-11⅓₁₆
Six months	10¹⁵⁄₁₆-11⅓₁₆
One year	10¹⁵⁄₁₆-11⅓₁₆

COMPANY NOTICES

BOLTON HOUSE SECURITIES LTD announce on behalf of North Hills Investors, Inc. and William C. M. Kivlan, Stabb, & Montagu Ltd., co-underwriters to the offer of 35,000 units of $100 each in LASER-SCAN INTERNATIONAL INC that the lists closed on Friday 5th November, 1982. The issue has been oversubscribed. The funds are now under the control of the Escrow Agent, Marine Midland Bank NA, New York, and definitive allotments will be made shortly. It is expected that dealings will commence later this week and share certificates will be received in London before then.

BANQUE NATIONALE DE PARIS
USD 250,000,000
Floating Rate Notes Due 1989 with Warrants to Purchase USD 250,000,000 14¼% Bonds due 1990
The rate of interest applicable to the interest period from 8th November 1982 up to 9th May 1983 as determined by the Reference Agent is 9⅞% per cent per annum, namely USD 502.40 per bond of USD 10,000.

HORNE BROTHERS P.L.C.
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International Construction

Contractors and equipment manufacturers have had to fight hard for survival during the recession. Faint stirrings in some sectors such as housing fall a long way short of providing the boost to activity and employment so badly needed

Long and uphill road to recovery

BY ANDREW TAYLOR

THE INTERNATIONAL construction industry in 1982 has continued to struggle against a background of world recession. *Order books are further threatened by the mounting financial problems affecting a number of developing nations.* Ambitious development programmes seem likely to be curtailed or delayed as international borrowings of developing countries have careered out of control.

Competitive pressures in a world construction industry suffering from serious overcapacity have continued to build up as contractors, faced with dwindling home orders and workloads, have aggressively sought work in overseas markets.

Major domestic markets in developed countries in Europe and North America remain in retreat, despite some slight resurgence of confidence among volume housebuilders in the UK and U.S. as mortgage interest rates have fallen.

A steady decline in construction activity, as advanced economies with well established infrastructures have switched from new building to repair, maintenance and improvement programmes, has been exacerbated by substantial spending cuts implemented by governments seeking to stem the ravages of inflation by reducing their own expenditure.

It is not just contractors which have been affected. Building material producers and construction equipment manufacturers, on both sides of the Atlantic, have been urgently reorganising their businesses as sales have fallen and as profit margins have been savaged in a highly competitive market. There have been plant closures, heavy redundancies and short-time working at a number of companies in Europe, the U.S. and elsewhere.

In the U.S., Caterpillar Tractor, the world's largest producer of construction and mining equipment, is estimated to have around 14,600 workers on *indefinite lay-off out of a total* workforce of more than 35,000.

Caterpillar, which last month announced it was cutting its quarterly dividend from 67½ *cents to 37½ cents, has warned* that it is expecting significant after-tax losses in 1982—its first loss for a half a century.

Poclain in France has also recently announced plans for a major refinancing and reorganisation of its troubled international construction equipment manufacturing business. Poclain, which says it has been badly hit by the collapse of the market for its speciality hydraulic excavators, plans to cut its workforce—7,200 at the end of 1981—by around 1,300.

The number of workers employed by UK construction equipment manufacturers has fallen since the end of the 1970s from around 40,000 to less than 25,000 and plant closures and redundancies continue to be announced.

The Group of Eight, a broadly based British construction lobby representing contractors, trades unions, building material producers, architects and chartered surveyors, estimates that unemployment among construction-related industries in the UK is currently running at around 450,000. Employment among UK building and civil engineering companies alone had dropped by almost 20 per cent from 1.7m to 1.38m between May 1979 and April 1982.

"Output has decreased by 18 per cent in real terms between the second quarter of 1979 and the second quarter of 1982. This follows a continuous and disproportionate reduction in construction activity for some years," says the Group.

Mr Clifford Chetwood, chief executive of George Wimpey, the UK's largest construction group, says that medium-sized companies employing around 100 to 150 operatives have been worst hit by the recession.

"Medium-sized companies, unless they possess special skills, do not have the flexibility or financial muscle to compete on equal terms in a fiercely contested international market. It is also more difficult for them to trade down to smaller domestic repair, maintenance and improvement jobs which have provided the staple diet for smaller operations," says Mr Chetwood.

Wimpey says that a continuing low level of inquiries being made to its soil mechanics laboratory indicates that there is unlikely to be any significant upturn in domestic workloads for at least 12 to 18 months.

The soil mechanics laboratory, one of the largest in Europe, tests soil conditions and the load-bearing capacities of potential construction sites before design work is committed. It therefore provides an early warning of future construction output.

A similar picture of declining domestic workloads appears in West Germany and France. The West German Building Industry Federation this summer forecast that up to 2,400 building companies might be expected to go bankrupt during 1981, compared with the record 1,500 building industry failures in 1981. The Federation said that declining public expenditure on road programmes has hit the industry particularly hard.

French contractors, like their counterparts in West Germany, the U.S. and the UK, have been turning to overseas markets in developing countries to offset declining home orders. Competition, however, is intense and international markets are hard to penetrate without heavy preparatory expenditure.

Coignet, one of France's largest family-owned building groups, has been among a number of French companies to turn to export markets to compensate for falling demand at home. But the stresses and strains have begun to show.

In September the company announced plans for a major refinancing of its business through capital injections from the IDL construction division of the state-owned Charbonnages de France and Spie Batignolles, the international public works arm of Empain-Schneider. Both bodies could end up with 40 per cent stakes in Coignet, although details of the transaction have still to be finalised.

The refinancing package will assist Coignet's position in export markets, where the company has already won important contracts in Hong Kong and Singapore.

The French National Building Federation (FNB) estimates that around 5 per cent of the country's building industry turnover is accounted for by exports. The share is much larger for bigger groups such as Bouygues, where more than a third of turnover represents work abroad. For Dumez the proportion is estimated to be as high as 80 per cent.

Figures published last month by the UK Government illustrates the important advantage larger groups hold over their more medium-sized rivals in their ability to win major overseas contracts. More than 90 per cent of the £1.87bn of overseas contracts awarded to British builders and civil engineers in 1981-82 was won by the country's 20 largest contractors.

The value of overseas orders won by British contractors in the 12 months to the end of *March last jumped by 37 per* cent over the depressed 1980-81 levels. Despite this improvement orders in volume terms were still below levels prevailing in 1977-78.

The most successful contractor in international markets is Bechtel of the U.S., the world's largest construction group. According to a table *published* by Engineering News Record, the weekly U.S. construction journal published by McGraw Hill, Bechtel held on to its number one position in 1981, despite a 19 per cent decline to $6.9bn in the value of overseas contracts won by the U.S. giant last year.

There is growing competition for international orders among the major contractors in advanced economies and also from contractors from so-called lesser nations which are also *seeking to boost overseas order* books. Profit margins in such a highly competitive atmosphere can be extremely slim.

Competition looks like intensifying, particularly if some developing nations are going to have to trim back development programmes in the light of mounting overseas debts. Construction majors will be pinning their hopes on some modest reflation of advanced economies as the recession eases. But even if this occurs next year, as some contractors believe possible, it will be some time before this comes through in increased workloads and is unlikely to compensate for the drop in orders in recent years.

TOP INTERNATIONAL CONTRACTORS, 1981

Company and Country	Contracts $m Foreign	Contracts $m Total	Bldgs.	Hwy./ Bridge	Mfg	Process	Power	Marine	Airport	Design	Construction Management
1 Bechtel Group, U.S.	6,923.0	10,114.0	x	x	x	x	x	x	x	x	x
2 Davy Corp., UK	5,015.0	5,045.6	..	..	x	x	x	x	..	x	x
3 C.F. Braun, U.S.	4,438.0	4,546.0	..	..	x	x	x	x	..	x	x
4 Fluor Corp., U.S.	4,200.0	10,600.0	x	..	x	x	x	x	x	x	x
5 Philipp Holzmann, W. Ger.	3,726.0	5,390.0	x	x	x	x	x	x	x	x	x
6 Kellogg Rust, U.S.	3,700.0	6,700.0	x	x	x	x	x	..	x	x	..
7 Parsons, U.S.	3,654.0	10,244.0	x	x	x	x	x	x	x	x	x
8 Foster Wheeler, U.S.	3,450.0	4,400.0	..	..	x	x	x	..	..	x	..
9 Morrison-Knudsen, U.S.	3,205.4	5,535.7	x	x	x	x	x	x	x	x	x
10 SADE-SADELMI Gp., Italy	2,705.0	2,720.0	..	x	x	x	x	x	x	x	..
11 Lummus Group, U.S.	2,693.0	4,600.0	..	..	x	x	..	..	..	x	..
12 *Brown & Root*, U.S.	2,642.0	10,738.0	x	x	x	x	x	x	x	x	x
13 Hyundai, S. Korea	2,386.0	3,016.2	x	x	x	x	x	x	x	x	..
14 Dumez, France	2,084.0	2,221.0	x	x	x	x	x	x	x	x	..
15 Daewoo, Korea	2,077.0	2,360.4	x	x	x	x	x	x	x	x	..
16 Impresit, Italy	2,032.0	2,757.0	x	x	x	x	x	x	x	x	..
17 Guy F. Atkinson, U.S.	1,982.2	2,842.0	x	x	x	x	x	x	x	..	..
18 Constructora Mendes Junior Brazil	1,880.0	3,895.0	x	x	x	..	x	x	x	x	..
19 Ballast-Nedam Grp. Nether	1,560.8	1,744.2	x	x	x	..	x	x	x	x	..
20 SPIE-Batignolles, France	1,543.7	2,306.7	x	x	x	x	x	x	x	x	..
21 Daelim, Korea	1,374.8	1,672.4	x	x	x	x	x	x	x	x	..
22 Bilfinger + Berger Bau, W. Germany	1,368.4	1,902.6	x	x	x	x	x	x	x	x	..
23 Societe Generale d'Enterprises-SEE, France	1,336.0	2,066.0	x	x	x	..	x	x	x	x	..
24 Solel-Boneh Int'l., Israel	1,188.3	1,188.3	x	x	x	..	x	x	..	x	..
25 Six Construct Int'l., Belgium	1,173.4	1,313.0	x	x	x	x	x	x	x	x	..
26 Hochtief, W. Germany	1,170.0	2,120.0	x	x	x	x	x	x	x	x	..
27 Hanyang, Korea	1,111.2	1,351.2	x	x	x	x	x	x	x	x	..
28 Dravo, U.S.	1,042.4	2,953.0	..	..	x	x	x	x	..	x	x
29 Marubeni Corp., Japan	1,007.7	n.r.	x	..	x	x	x	..	..	..	..
30 McDermott, U.S.	995.6	2,202.4	..	..	..	..	x	x	..	x	..

Source: Engineering News Record/International Construction Week

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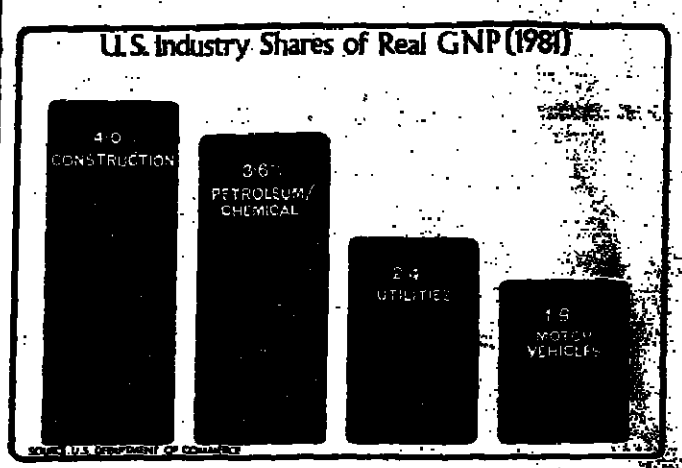
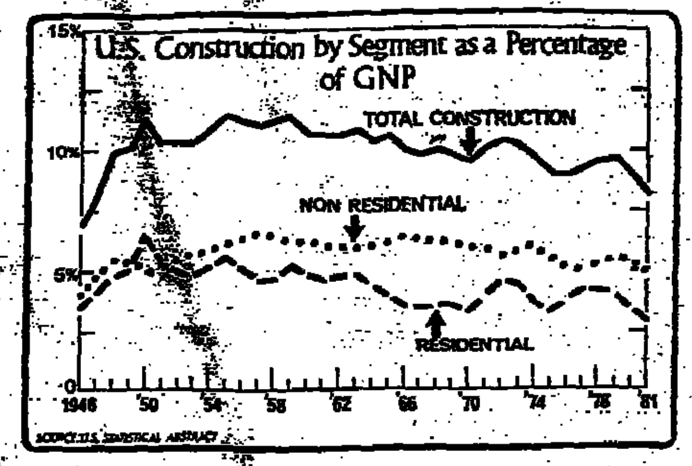
INTERNATIONAL CONSTRUCTION II

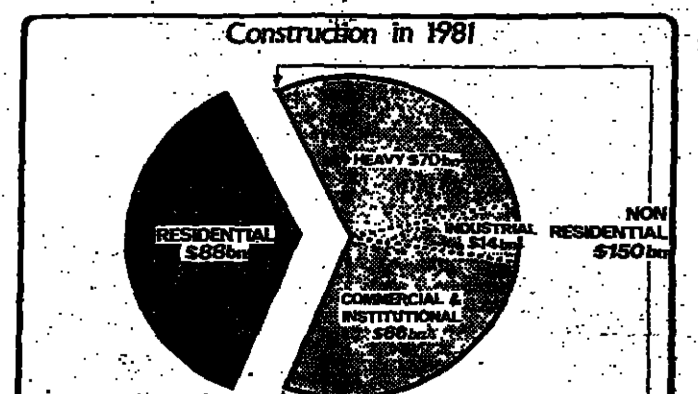
This and the next three pages review a world cross-section





UNITED STATES

Signs of recovery are detected in the States, headed by a pick-up in housing starts. For the heavy end, however, it seems likely to take some time to quicken



THE SHARP decline in U.S. interest rates has prepared the way for a recovery in construction activity.

Just four months ago the prime rate—the lending rate that U.S. banks charge to their best corporate borrowers—stood at 16.5 per cent. Since then it has fallen to 11.5 per cent while other rates, including mortgage rates, have fallen in consequence.

There are already signs that the industry, and the housing sector in particular, is making a slight if fragmented recovery. No one is suggesting that the bad times are really over, but for the first time in two years the longer-term outlook is brighter.

Industry leaders are growing more confident with every set of Government statistics, while investors, who have shunned the publicly-quoted construction company shares for so long, are returning and pushing share prices up.

If the economists are proved right, then any recovery, no matter how slight, will end an agonising period for the construction industry. But most people accept that it will take a long time before the healing process is complete.

Key figures

The key figures which the industry, and the U.S. Administration, have been watching in recent months are those for construction spending and housing starts.

In September construction spending fell by 0.2 per cent to a seasonally adjusted rate of $229bn—having risen by 0.6 per cent in August. This means the Government figures have shown a gain in five out of the last seven months.

The industry also took some heart from the fact that the September decline was almost entirely due to a 0.8 per cent decrease in public construction spending to an annual rate of $50.4m.

Private construction spending held steady at an adjusted annual rate of $179.4bn, after falling by 0.5 per cent in the previous month. The September figure was 1.4 per cent down on the corresponding month last year.

The industry has also been encouraged by figures produced by the Dodge Division of McGraw-Hill which issues monthly bulletins on the construction industry. The Dodge figures showed a 14 per cent increase in construction value in the same month. Significantly, these figures, based on $13.9bn of new construction work started in August, which was itself a 17 per cent increase over the same month last year, showed an improvement in all three main catagories—non-residential, residential and non-building.

Admittedly, the August contract value was swollen by the start-up of two large power plants, one in Florida and the other in Louisiana; but those two investments by public utilities were themselves an important indication of opinion.

Broken down by category, the Dodge figures showed a 7 per cent increase in non-residential construction comprising commercial, industrial and office building. The market for new commercial building is perhaps the strongest segment of the industry at present. But industry leaders believe that many of the larger U.S. cities are now "overbuilt." As a result, they fear that new commercial building could slow over the next few years.

The boom in shopping centre developments is over, they say, although they do see some prospects for new commercial developments in "second tier" cities.

Over-capacity, cash flow problems and profit worries have stifled the opportunities for much new development, at least in the short term. The industry's brightest hopes are reserved for the housing sector.

Residential building contracts increased by 6 per cent in August over July and were 15 per cent higher than a year ago. This was the first month that the Dodge figures had shown an increase in contract value over the same month a year earlier.

Further evidence of the pick-up in housing starts has emerged since then. Starts jumped dramatically in July, mainly as a result of Government-subsidised construction but fell back in August to a seasonally adjusted annual rate of 1.002m units. They then showed a heartening 14.4 per cent increase in September to 1.146m units a year. This compares with an annual rate of about 900,000 at the industry's lowest point last year.

The latest forecast prepared by economists from 20 top U.S. companies suggested that housing starts next year could increase to between 1.3m and 1.5m units a year, still a long way below the levels reached in the late 1970s but even so a welcome improvement.

Figures for new house sales show a similar improvement. In August house sales totalled 359,000 on a seasonally adjusted annual basis following a 5.9 per cent decline in July, when housing starts plunged to their third-lowest level for more than 20 years.

The average price of a new family house also rose in August to $73,200, raising hopes that the re-sale markets may soon show signs of picking up. Even so, the 7.9 months supply of new houses on the market at the end of August, down from 8.9 months at the end of July, still gives some indication of the size of the industry's problems.

The key to a further improvement in house-building remains the mortgage rate. Since July the average home loan rate has fallen from over 17 per cent to around 14 per cent. But for the past 18 months many builders have been offering subsidised rates of between 9 per cent and 13 per cent on conventional 30-year mortgages, suggesting that interest rates still have some way to fall before housebuyers' confidence returns.

Share prices

But some indication that investors believe a house-building recovery is indeed on the way is given by the share prices of the leading home builders. Companies like Pulte Home, Ryland, Ryan and U.S. Home Corporation have all seen their share prices rebound sharply from the low levels of earlier this year.

If housing provides the industry's best immediate hope for recovery the "heavy" non-building section, comprising the public utilities, roads and transport, offers the biggest long-term scope.

The sector accounted for about 29 per cent, or about $70bn, of the industry's 1981 work-load. Mr Stephen Bechtel, chairman of the San Francisco-based Bechtel Group, which is one of the world's largest construction and civil engineering companies, said a few weeks ago that he thought this sector would be "fairly slow" next year given the long lead time required for most projects.

While the work is there to be done, as shown by the dilapidated state of parts of the country's highway, water and sewerage systems, which have become a threat to public well-being in some areas, the money is not.

It will take further substantial declines in interest rates to spur state and local government spending, while the mushrooming Federal Budget deficit holds out little prospect of an improvement on a national scale.

In addition, although there are signs that the public utilities may at last be in a better position to raise the funds for major projects in the capital markets, some sections of the industry face other and more deep-rooted problems.

In brief, the industry's fortunes, as ever, remain dependent on the economic climate. It is perhaps sobering, however, to consider that even in 1981 the U.S. industry accounted for 4 per cent of real gross national product and 4 per cent of civilian employment, ahead of the petroleum, chemicals and motor industries.

Paul Taylor

INTERNATIONAL CONSTRUCTION III

A marked rise in new overseas contracts by value in the face of stiff world competition has made UK contractors cautiously optimistic

BRITAIN

THE UK construction industry has seen a substantial fall in domestic workloads and order books over the past few years—and until recently it had seemed in little better condition abroad. New contracts won by British building and civil engineering companies overseas fell from £1.676bn in the year to March, 1978 to £1.366bn *in 1980-81.*

However, the Department of the Environment has done its best to change all that with a review of the industry's overseas activities in 1981-82, which shows a significant recovery in current price terms.

Estimated earnings from overseas work of British firms and companies associated with the construction industry were £3.5bn in 1981-82 and exports of building materials and plant and machinery for construction contributed £2.3bn.

The total estimated earnings also include nearly £520m from consulting engineers, £300m from process engineering contractors specialising in plant installation; architects and quantity surveyors' work contributed an additional £90m. *Actual building and civil engineering contracting overseas* added £220m while remittances of profit and interest by subsidiaries amounted to nearly £70m.

Jumped

All this of course is in the past. The future, according to the DoE, is better. According to the Department's figures, the value of overseas construction contracts won by British builders and civil engineers *jumped by £500m in 1981-82 to* an estimated £1.87bn.

The 37 per cent improvement, stated in current price terms, is a little misleading. In terms of volume, contracts awarded are still below the levels of four years ago; and *since recession is not confined* to the UK, they will generally have been achieved against tough competition, with all that entails for profits.

However, UK contractors are only cautiously optimistic about the figures. As a Wimpey *spokesman said to the magazine* Construction News last month: "It's a dangerous business to assess trends on one year's figures. There are an awful lot of British firms competing overseas and, shared out, the total does not amount to much."

Other contractors, *and industry observers*, feel that the placing of a few large contracts, especially in the Middle East where Britain had a bad time in 1980-81, can make a lot of difference to one year's figures. Be that as it may, after the savage downward spiral of recent years it is better to have one good year than another bad one.

As in previous years, the major contracts were won by the larger UK construction companies, those with well *established interests overseas.* The DoE notes that on the basis of work completed last year, the top 20 companies won new contracts worth over £17bn, while the first five accounted for nearly £1.3bn of the new contracts won by UK groups.

Even more emphatically than in the past — albeit with the reservations noted earlier—the Middle East was the biggest provider of UK work. It accounted for nearly 40 per cent of work completed overseas in each of the two most *recent years.*

In 1981-82 it showed the most significant improvement, with the value of new contracts almost doubled from £359m to £607m. The UK's business invasion of the Americas shows in these figures too, with the *value of contracts awarded* there soaring from £236m to £434m.

Major contracts among the Middle East collection included the £117m award for Kier International in a joint venture with the Kuwaiti company, Al-Saleh, *for construction of Abu Gaaib* expressway in Iraq. Work involves construction of 23 km of urban motorway and includes two viaducts and five intersections with overbridges.

Another major Middle East job, which gives credence to *the view that Oman holds out major* opportunities to the UK construction industry, was the £215m contract won early in 1982 by Cementation International (a Trafalgar House subsidiary) to build that country's first university.

Cementation is responsible for the full package, which includes design, construction and finance. The company began *mobilising in the first half of* 1982 at the site near Al Khoud, 40 km from Muscat, Oman's capital city. Building industry *analysts reckon that profits are* unlikely to be seen until 1983 but that there are good prospects of work continuing well beyond 1986 as the University complex is expanded.

In the Americas, Wimpey's name frequently crops up. George Wimpey of Florida started work in February of this year on a £2m contract to provide services upgrade the runways at Miami Airport. Wimpey (Caribbean) has won yet another, a £6½m school contract in Trinidad.

Back on the northern half of the continent a £9m Wimpey contract from the city of Grande Prairie, Alberta, to build a waste water treatment plant is already in progress and scheduled for completion by the end of 1983.

CONTRACTS OVERSEAS WON BY UK BUILDING AND CIVIL ENGINEERING COMPANIES
(£m current prices—years to March 31)

	1977-78	1978-79	1979-80	1980-81	1981-82†
EEC	16	39	27	39	16
Rest of Europe	136	75	82	81	15
Middle East/Asia	792	632	552	359	607
Middle East/Africa	70	45	100	54	25
Rest of Asia	20	195	89	132	276
Rest of Africa	389	229	203	353	354
Americas	159	91	274	236	434
Oceania	94	81	58	112	143
All countries	1,676	1,385	1,385	1,366	1,870

† Provisional. Source: Environment Department.

But international contracting is not all plain sailing. The market remains highly competitive and many overseas contracts won by UK companies will have been gained at extremely thin margins.

And while the successes are broadcast, some of the problems are also showing through. Early in October John Laing revealed that it is faced with the prospect of having its 1982 profits wiped out by international contract losses of up to £12m. Last year Laing made a profit of £6.1m, following some provision for Venezuelan losses, against £3.1m previously.

General feeling among industry observers was that Venezuela — specifically the Yacumba dam contract where Laing was awarded the £29m job in a joint venture with local contractor Vinccler in 1977 — was the reason for Laing's bad news. Venezuela, they said, was suffering from a shortfall in its oil revenue and money for the project had simply run out.

Problems arising elsewhere were illustrated earlier this year when Savory Milne did a thumbnail sketch of Marchwiel's overseas contracting activities in Volume 2 of its building book.

"The UK's oil-induced recession in 1974," they said, "*prompted Marchwiel to expand* further overseas. In Sudan the company successfully carried out over £50m of work on the Kenana sugar refinery but in February 1980, it won an £18m contract to construct 105 miles of road for the Rahad Corporation."

Now Marchwiel's operating subsidiary, Sir Alfred McAlpine and Son, is the biggest motorway contractor in Britain. But in the Sudan road contract, problems arose on the quality of materials and the effectiveness of the equipment, which resulted in a £10.1m loss in 1980.

Nevertheless, UK contractors generally are inclined to accentuate the positive as far as the latest order figures are concerned.

While accepting that some of the figures were slightly distorted by the awarding of some very large contracts, contractors in general regard them as a healthy basis for future expansion. They are particularly pleased at the results in Saudi Arabia, where the workload has increased to £203m from £69m in 1980-81.

Saudi Arabia

Contracts totalling £60m were completed by the Laing Wimpey Alireza combination in Saudi Arabia. They comprise a hospital in Al Midnab, the Alireza Trade Centre, a Holiday Inn at Jedda, the Abha airport flyover and a Saudi Arabian bank at Riyadh.

A large new contract, worth about £60m in 1981-82, was won by Wimpey Mechanical, Electrical and Chemical for the provision of facilities for sulphur handling in the eastern province of Saudi Arabia; the associated contract for construction went to Arabian Mechanical Engineering Company which is jointly owned by Wimpey ME and C and the Alireza Group. All this seems to underpin the frequent advice to potential entrants to the Middle East market—that exploring joint ventures is a good way in.

Other areas for new orders highlighted by the DoE include Asia (excluding the Middle East), where UK construction companies more than doubled their intake — £276m against £132m in 1980-81, mainly because of new business obtained in Hong Kong.

In Africa, a flat overall performance was lifted in some countries: new business in Malawi increased from £7m to £31m, for example.

The most disappointing area was Europe itself: EEC contractors awarded British contractors £16m of work in 1981-1982 against £39m the year before and the rest of Europe dropped its contribution from £81m to £15m. Thinking back to their home market, however, UK contractors will be more likely to accept that their European competitors too are fighting for their economic lives.

William Cochrane

EUROPE

Continental groups also look to export markets to offset the decline in domestic orders and help stabilise workloads

THE CONSTRUCTION industry world-wide is in recession. In Europe major contractors have been able to offset dwindling order books at home by looking to overseas markets for work. But international competition for a limited supply of new projects is intense and the going looks like becoming tougher.

Emerging nations which had been pushing ahead with ambitious development programmes are now facing serious balance of payments problems. They have been caught between the pincers of dwindling oil and commodity revenues — *as manufacturing industries in* developed countries have moved into recession — and the massive cost of servicing mounting overseas debts.

International interest rates are currently receding but serious damage has been *inflicted on* the financial stability of a number of developing countries. These are now urgently re-examining their development programmes, some of which seem likely to be significantly curtailed because of a lack of *funds.*

For major contractors in Europe, faced with a long-term decline in construction activity in domestic markets, the outlook is depressing. Competition for work in overseas markets is already *intense* and looks like becoming even greater, unless there is a major shift in international trading and financial climates.

Leading international contractors like Bechtel of the U.S., George Wimpey of the UK, *Bouygues and Dumez of France,* Hochtief and Phillipp Holzmann of West Germany and the Sadelmi group of companies in Italy, face competition not only from rival domestic companies but also from a growing army of international contractors from *lesser nations.*

Major force

In less than a decade South Korea has become a major force on the international construction scene, particularly in the *Middle East, where, with its cut-price* tendering policies, it has been able to outbid well-established firms from Europe and North America.

Turkish, Pakistani, Thai, Filipino and Indonesian companies have also made inroads *into a highly competitive world* construction market. Eastern bloc countries anxious to reduce the cost of oil and other raw material imports have been able to offer barter deals to cash-starved developing nations in return for major construction contracts.

None the less a number of major U.S. and European contractors appear to have increased their international order books last year. Figures published recently by the UK *Government show that the value* of overseas contracts won by British builders and civil engineers increased by an estimated £500m to £1.87bn in the year to March last.

The 37 per cent improvement, however, follows several years *during which international* orders won by British contractors slumped from £1.68bn in 1977-78 to £1.37bn in 1980-81. In volume terms, contracts won by British contractors during 1981-82 are still well below the 1977-78 levels.

Other international contractors also increased their overseas order books last year. Figures just published by Engineering News Record, the weekly U.S. construction journal published by McGraw Hill, show that international contractors won a record $236bn of new foreign contracts in 1981 — with U.S., European and Asian companies accounting for about $135bn of the new work.

The journal says that Italian and French companies, accounting for almost $5bn of new overseas work, were among the most successful in Europe. SADE-SADELMI group of companies of Milan and Dumez of Nanterre Cedex in France, were named as major winners of overseas contracts last year while *UK companies like George Wimpey*, Taylor Woodrow and Costain Group also won major export orders. Many contracts, however, will have been won at extremely thin margins against stiff competition.

Some international *contractors now fear a drop in overseas* orders as financial pressures mount on many developing countries and as key financing institutions view with alarm the increased size of overseas borrowings of a number of countries.

The availability and cost of international finance to support major new development projects will continue to be critical to construction companies seeking major new orders in developing countries. A number of schemes in the development pipeline seem likely to be delayed or postponed.

The international construction market, however, remains largely the preserve of the bigger groups or those companies which have developed special skills to meet individual needs. Smaller companies lack the financial muscle to compete on the same terms in international markets.

More than 90 per cent of the £1.87bn of overseas contracts awarded in 1981-82 to British *building and engineering companies* were won by the UK's 20 largest contractors. The top five alone accounted for £1.3bn of new work.

European companies which have had to rely largely on domestic markets for orders *have been having a much* tougher time. Some of the majors are also showing concern as home markets still show no sign of any substantial pick-up in demand.

Bankruptcies

A report by the West German Building Industry Federation has forecast that between 2,200 to 2,400 building companies in the Federal Republic are expected to go bankrupt this year — compared with the record 1,515 building industry failures last year. In the first four months of 1982 around 800 building companies filed for bankruptcy or for protection from their creditors.

Dr Gunther Herion, president of the Federation, has said that construction activity in 1982 will be even lower than the already depressed levels of last year. Road building has been among the sectors hardest hit because of the cuts in public expenditure.

French companies are also struggling as a result of reduced workloads and orders. In the first six months of this year building activity in France fell by 4.5 per cent compared with the first half of 1981. Employment in the French construction industry has fallen by more than 25 per cent in the past decade.

The French Government is this autumn launching an FFr 11bn (£900m) public works programme, but the National Building Federation (FNB) *remains unimpressed.* M Jacques Danon, FNB chairman, says that the new programme will not make up for cuts already announced in public building programmes. Meanwhile housing starts in France this year are expected to decline to 360,000 —compared with 375,000 starts last year and 430,000 starts made in 1979.

Andrew Taylor

THE MIDDLE EAST

The Middle East market has lost some of its shine but reviving oil revenues would lead to a corresponding recovery in demand

THERE ARE 21 Arab countries in the area broadly defined as the Middle East, with greatly differing populations and resources. However, there is more than this behind the contrasts which international contractors have seen in the Middle East construction market over the past two or three years.

What the West called the first oil crisis preceded a massive increase of investment and consumption in the area in the years 1974-76. Last year spending soared again; the value of contracts reported in the Middle East Economic Digest (MEED) and listed in Middle East Contracts: Directory and Analysis (MECDA) rose by 77 per cent to $81.6bn in 1981.

This represented *about a half* of world total construction output and 73 per cent of it was contributed by three countries, Iraq, Saudi Arabia and Libya. However, even within that year's performance the pendulum was beginning to swing again.

Perception of the world oil *glut and the likely deterioration* of oil revenues saw market tightness emerging in the region as a whole in the second half of 1981. The total value of reported contracts fell by 17.9 per cent to $36.8bn in the second *half of 1981, from $44.8bn in* the first.

Observers began to take a dim short-term view of Middle East commercial prospects—although strictly in relative terms. MEED reckoned last August that despite lower government oil revenues Qatar, the United Arab Emirates and Kuwait would be able to increase spending by at least 20 per cent without incurring *budgetary deficits, while Oman* and Saudi Arabia could afford 10 per cent rises in spending before hitting revenue limits.

Meanwhile, observers detected a trend to a more selective, more competitive and low-technology orientated contracting market.

In this situation local Middle East and South Korean contractors were best able to maintain, or even improve, their positions. Contractors from *Europe* and *Japan* showed declines in their market share, the Western exception to the trend being the U.S., which managed to return to 1979 levels of contract awards.

Bob Erith, of London stockbrokers Savory Milln, wrote last August: "An increasing propor*tion of the work is now* undertaken by local contractors, which were awarded over 20 per cent of contracts by value in 1981. As this does not include all the small and medium-sized jobs not reported in the international press, it is clear that local contractors are now undertaking a very significant proportion of all work available."

The foreign country with the largest share of available work in 1981 was South Korea, which *obtained about 11 per cent of* the market. It was awarded $13.7bn of contracts abroad, over $9bn of them in the Middle East.

MIDDLE EAST MARKETS

(Ranking by total contracts $m—previous placings in parentheses)

		1981	1980
1	Iraq (2)	23,018.3	12,646.6
2	Saudi Arabia (1)	21,846.9	15,697.1
3	Libya (4)	14,976.3	3,457.5
4	Egypt (6)	4,248.0	1,768.5
5	Kuwait (3)	3,564.1	3,522.3
6	UAE (5)	2,563.3	1,720.7
7	Jordan (12)	1,406.4	544.4
8	Algeria (8)	1,374.7	1,082.8
9	Iran (21)	898.8	69.8
10	Oman (11)	819.0	575.8
11	Morocco (7)	802.8	1,179.0
12	Syria (14)	756.4	374.9
13	*Tunisia (10)*	672.2	749.9
14	Bahrain (16)	556.0	205.5
15	Qatar (9)	537.5	902.5

Source: Middle East Contracts: Directory and Analysis second *half* 1981.

West Germany and Japan each obtained about 9 per cent of contracts, both countries being helped by depreciation in their currencies. Other countries whose contractors have a major stake in the Middle East market include the U.S. (8 per cent), the Netherlands, France, Italy *and* Turkey.

With Britain we are back to contrasts again—and these are even more recent. Bob Erith noted in August that the value of contracts obtained by UK construction companies in the Middle East had halved since the peak years of 1977-78 and that the UK was "no longer a significant force" in that market.

Britain's share of the market fell to only 3.7 per cent in 1981 *—its lowest level ever—from 5.3* per cent in 1980 and around 10 per cent at its peak.

Yet only last month, in a survey covering the year to *March 31 last, the UK's Depart*ment of the Environment headlined an international recovery for UK contractors with their Middle East performance.

The value of overseas construction contracts won by British builders and civil engineers jumped by £500m in 1981-82 to an estimated £1.87bn, according to the DoE figures. Within that, one of the largest areas of improvement was in the Middle East, where the value of new contracts almost doubled from £359m to £607m.

Britain's small basic share means that the recent placing of a few big contracts—such as Cementation's £215m for a university complex near Muscat, the capital of Oman—could make a lot of apparent difference.

William Cochrane

Egypt is one of the Arab nations with the greatest potential given a measure of economic stability

EGYPT

EGYPT IS the largest country in the Arab world in terms of population, estimated in 1980 at 41m. It is widely regarded as a land of opportunity for international construction groups and foreign contractors have had some notable successes there.

For example, the UK's Higgs & Hill was awarded the Cairo Plaza office and apartment project in the Boulak district of Cairo by Misr Abu Dhabi *Property Development Com*pany in 1978. The contract was obtained under a management fee agreement and was estimated, at the time it was started, to be valued in excess of £36m.

The out-turn for the contract, which will be completed by the end of this year, is likely to exceed £70m. UK observers are keenly awaiting the beneficial effect on Higgs & Hill's profits — and say in the mean*time that the successful* outcome of the contract is likely to establish the company as a high quality contractor in Egypt.

However, there are many variables on the Egyptian politico-economic scene — too many to make generalisations about its construction market easily acceptable.

Egypt has a new style of leader in President Hosni Mubarak. *He shows evidence* of paying more attention to economic matters than his predecessor President Sadat. It may well be that further development in construction-related projects will be encouraged by President Mubarak's government but many of them will have to be financed by overseas governments *as* part of aid packages and loans.

The Government cannot afford to throw money around. *Less than two years ago Egypt* was savouring its new-found oil "wealth" as oil prices rose; its balance of payments in the calendar year 1980 showed a surplus on current and capital account of $1.5bn.

Last year there *saw* the assassination of President Sadat, Government tinkering with exchange rates and banking procedures and a drastic fall in oil prices. With the fiscal year changed to begin on July 1, 1981-82 *was* expected to show a deficit of more than $2.4bn.

Last month Dr Mustafa Said, the new Minister of Economy and *Foreign Trade*, predicted a 10 per cent rise in foreign exchange earnings for 1982-83. According to Dr Said Egypt was planning an annual growth rate of 6 to 8 per cent in its five-year plan for the years 1982-83 to 1986-87.

So *there should be scope for* construction. There is certainly a need for it. "The requirement for all types of work including roads, sewerage, communications, housing, commercial and industrial building is painfully obvious to any visitor" wrote Bob Erith, who heads the building team of London stockbrokers Savory Milln, after a visit to the Middle East earlier this year.

Determined

But where and how, will the work go? According to the Middle East Economic Digest the pace and quality of con*struction in Egypt* are still largely determined by the level of local efficiency—or, as Bob Erith puts it: "the construction industry in Egypt is dominated by half a dozen companies which are effectively government organisations and undertake nearly all public sector work."

He wonders whether the death of President Sadat might change things: "The largest of the domestic groups is Arab Contractors, *built up by Osman* Ahmed Osman. The Osman family is connected by marriage to President Sadat's family and under the late President enjoyed great influence in the industrial and business life of the country."

But if this influence wanes, whose will wax? There are other substantial Egyptian companies, like Nasr General Contracting and Misr Concrete Development. There are significant incursions by French companies which are undertaking airport, hospital and underground railway work partly financed by French government agencies.

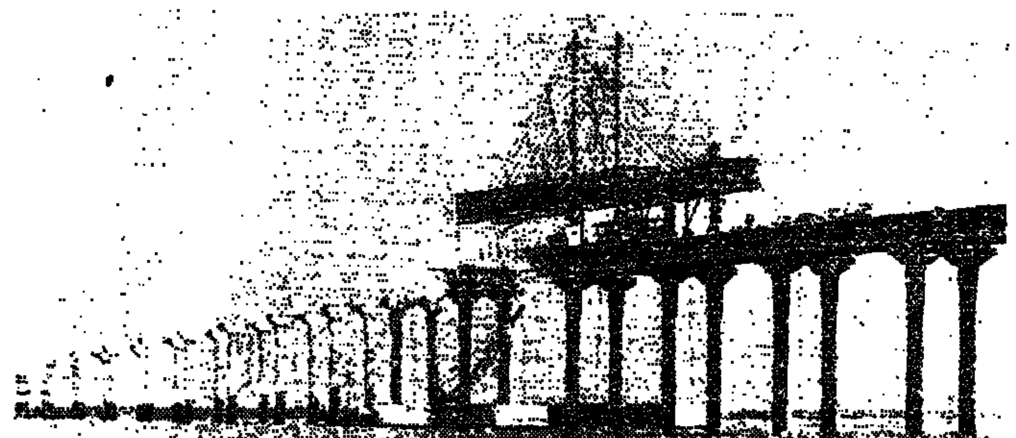
Higgs and Hill apart, the UK is well represented with names *like Cementation (and others in* the Trafalgar House group), William Press and others less active at the moment.

A number of Japanese companies have contracts, notably in dredging work according to Bob Erith, who goes on to say that the Dutch presence is small; the U.S. is represented only by J. A. Jones, itself owned by Philipp Holzman of West Germany and that South Korean companies—so *dominant in many parts of the* Middle East—are less involved in Egypt which does not have the same manpower needs as its neighbours.

Establishing a joint venture with a domestic contractor is one key to the Egyptian door. The ability to assemble financing agencies may, on balance, be more important.

William Cochrane

Middle East Bridge



One of the biggest Middle East projects is the bridge linking Kuwait to Bubiyan Is. Part of the advanced technology employed by the contractor, Bouyges of France, is a giant crane of 22,000 tonnes lift capacity—the most powerful in the world—and capable of erecting a single span daily.

AUSTRALIA

Resource development is marking time in Australia just now but the promise is still there, with its considerable scope for major programme contracts

LATE ENTERING the world recession, Australia will be late leaving it, which is why the Australian construction industry is at present facing hard times. Local interest rates have slackened recently but there are few observers bold enough to predict a significant improvement in business activity until late 1983.

Factory production is at a four-year low. The coal, iron ore and steel industries are particularly depressed. The manufacturing sector, faced with its gloomiest prospects since 1974, has slashed investment plans—and so have the mining companies, which in recent months have abandoned or deferred new development projects worth well in excess of A$2bn (£1.1bn). On top of that, the housing sector is depressed, with building approvals showing a sharp decline.

Yet once the economy picks up prospects for construction seem likely to recover much of their promise, even though the timetable for Stage II of the Great Australian Resources Boom—which in the next decade will generate billions of expenditure on the resource and infrastructural projects—has been stretched by the recession and by changing circumstances.

According to figures from the Australian Federation of Construction Contractors (AFCC) the total value of engineering construction projects on the drawing board at December 1980 was of the order of A$25bn. Fifteen months later the estimated total value of such projects, whether resource or energy-related, had swollen to A$119bn.

Some of these projects, such as the series of iron ore developments pencilled in for Western Australia, were mutually exclusive. Others, including several coal-to-oil and shale-to-oil liquefication projects, suffered from the drop in crude oil prices which reduced the urgency for developing alternative energy sources.

In addition, numerous projects were downgraded in status as a result of deteriorating economic circumstances, either within Australia or outside. Mr Russell Richmond, executive director of the AFCC, has listed these contributory factors: the general recession, which seriously affected world commodity demand and prices, particularly for iron ore and aluminium; the fall in real terms in the price of oil, which seriously reduced demand for coal; a "disastrous industrial relations climate" in Australia, particularly on the waterfront; and the deteriorating investment climate in Australia.

Mr Mark Rayner, managing director of Comalco, the Australian integrated aluminium poducer, expressed similar views at a Bureau of Industry economics seminar in Canberra earlier this year, when he outlined the handicaps which in his view were hindering the accelerated restructuring and revitalising of the Australian economy and which he said had caused many companies to reassess Au'ralia's initial attractiveness for long-term investment in resource development.

High on his list were construction costs. The cost of capital projects in Australia was higher than in many other developed countries, Mr Rayner maintained, partly because of high hourly labour costs and lower productivity, leading to longer construction times; a high-cost structure as a result of tariffs; the extra burden of freight on imported items; a chronically disruptive industrial environment and variable demands by governments.

Higher rate

In his view construction costs in Australia have risen at a substantially higher rate than corresponding increases in the consumer price index (CPI). Comalco has estimated, for example, that the rate of cost increase for constructing a new alumina refinery was 30 per cent more than the rate of increase in the CPI in the eight years to 1980.

Nevertheless, Stage II of the Australian resources boom is still likely to generate considerable investment, of which an estimated 25 per cent is likely to represent spending on construction and heavy engineering.

The distribution of expenditure is unlikely to be even. For instance, the AFCC estimates that in 1980-81 construction industry turnover increased by 18.5 per cent in real terms throughout Australia. Growth rates varied widely, however, from a real decline in turnover of 4.6 per cent in Victoria to a growth of 38.4 per cent in New South Wales (where activity has been focused on the coal-rich Hunter Valley) to one of 64 per cent in Western Australia, where the huge North West Shelf oil and gas project, whose eventual cost could reach A$11bn in dollars-of-the-day, is the largest single development project ever seen in Australia and among the largest energy projects at present underway anywhere.

In addition, the construction industry received a definite boost in this year's federal budget, with news that the Government is embarking on a major plan to upgrade the country's road system by 1988, the year of Australia's bicentenary. The project will cost an estimated A$2bn, which is on top of the commitment to provide A$3.65bn in state grants for roads over the five-year period to 1985.

Michael Thompson-Noel

CHINA

The Chinese are looking to a degree of foreign involvement in their ambitious capital works, notably in coal mines and other energy-related projects

PROSPECTS FOR the international construction industry in China appear to have brightened appreciably in recent months but progress for foreign contractors will continue to be slow.

Best prospects appear to lie in energy-related areas, transport, tourist hotels and port development. China has advanced plans for new projects in all these areas.

Coal mines appear to hold out the most immediate promise for international companies interested in the construction business. China has ambitious plans to develop its abundant coal reserves—proven reserves total more than 600bn tonnes. The Chinese have made it clear there will be a degree of foreign involvement in these projects.

Th Island Creek Coal Company, subsidiary of Occidental of America, is carrying out a feasibility study into a possible joint venture open-cast mine development at Pingshuo in Shanxi province, several hundred kilometres west of Peking.

If Occidental decides to go ahead with the mine it will be an important breakthrough because the project would be the biggest and riskiest joint venture of any type the Chinese have yet become involved in. Initial investment in the venture is planned to be around $240m.

A more ambitious project is the proposed development of a huge steam coal deposit in Guizhou province in south-west China. This deal is being engineered by international businessman Shaul N. Eisenberg, a shadowy figure with offices in a number of world capitals, who has apparently developed good relations with senior Chinese officials.

Under Mr Eisenberg's scheme four European companies would take shipments of coal in payment for mine development costs. The companies involved in the proposed project are Salzgitter of West Germany, Focoex of Spain, Alsthom-Atlantique of France and Asec of Belgium.

It is estimated the project will cost about $6bn, half of which would be foreign exchange. Agreement on a feasibility study for the project is expected this year.

Nuclear power

Another important project in an energy-related area which is coming to the boil is the proposed construction of twin 900 MW nuclear reactors in Guangdong province, south China. Peking claims to have approved the project in principle but no agreements have yet been signed between the Chinese Government and foreign contractors.

The General Electric Company of Britain is believed to be the front-runner to supply turbines for the power station, which will provide electricity to both Guangdong province and to Hong Kong under a joint venture between the Hong Kong Power Utility, China Light and Power and Guangdong authorities.

The Chinese are believed to be attracted to Framatome, the French manufacturer of nuclear technology, as the supplier of equipment for the Guangdong reactor but the British company NEC may be a late challenger. Framatome appears to have had the edge because the French Government is offering an attractive line of credit.

Another promising area for overseas contractors in the energy field is hydro-power. The U.S. recently provided $400,000 in aid for a U.S. Army Corps of Engineers investigation of hydro-power potential in China. The Americans will make recommendations to the Chinese about hydro-power development, an area of great potential.

At the same time as China is planning to speed coal mine development in its north-east, work is proceeding on upgrading adequate rail facilities and the nation's port handling capacity. China, according to Kong Xun, head of the National Coal Development Corporation, is planning to increase production from the present little more than 600m tonnes to 1,200m tonnes by the year 2000.

China's coal exports, mostly to Japan, will amount to about 4.5m tonnes next year but should increase sharply by the 1990s. Coal handling facilities are being boosted at Qinghuangdao near Tianjin and Shijiusuo in Shandong province. Foreign companies have supplied components for both these projects under a Japanese Government-backed aid scheme.

Another promising area for the construction industry is in support of China's offshore oil development. An oil base is being constructed at Zhanjiang and it is expected that such items as prefabricated housing will be required for foreign oil workers and their families who will make Zhanjiang their temporary home.

In line with World Bank recommendations China is upgrading cargo handling facilities at major ports like Shanghai but progress is proving slow and it would seem that the Chinese in the construction of new berths are having difficulty keeping pace with growth in their own trade. China's ports have only a limited number of modern container berths.

With the growth in tourism China is pressing ahead with construction of tourist hotels in major cities like Canton, Peking and Shanghai. In Peking the Jianguo Hotel was opened for business early this year.

Less successful is the more than 1,000-bed Great Wall Hotel now under construction in Peking. The project has been bedevilled by management problems. Those proposing similar ventures in China would do well to study the lesson of the Great Wall Hotel project, which appears to have been rather too complicated for China's construction industry.

In Shanghai, two new hotels are planned, according to Xu Bangfai, head of the Shanghai Investment and Trust Company.

China budgeted to spend Yuan 38bn this year on construction but it appears that expenditure will run well over that, perhaps by as much as 25 per cent. In 1981 spending on construction ran over by about 10 per cent. Construction expenditure accounts for about one-third of China's budget.

While China is seeking foreign investment and expertise to assist in major capital works projects on its territory the Chinese themselves are also in the market for a share of the world's construction projects.

China's biggest international construction company, the China Construction Engineering Corporation (CCEC), is involved in a number of projects overseas, mostly in the Middle East. CCEC has about 7,000 construction workers on assignment outside China at the moment out of a total 13,000 Chinese now working on projects in foreign countries.

Anthony Walker

INTERNATIONAL CONSTRUCTION VI

Britain's consulting engineers, architects and surveyors make a substantial contribution to the country's overseas earnings even in today's difficult markets

Tough going in the field of professional services

THE UK *construction* professionals active internationally continue to be led by the consulting engineers, who have for many years been making significant contributions to Britain's invisible earnings.

The earnings figure for last year exceeded £450m and the achievement did not go unrewarded: four more members of the Association of Consulting Engineers won the Queen's Award for Export, bringing the *ACE's total to 25.*

In terms of sheer volume, the engineers' involvement in overseas projects worth nearly £47bn gives them a clear lead *over the other construction* professionals — the architects and the surveyors. But the latter too have been making good progress. The surveyors, in particular, *increased their overseas earnings by 20 per cent in 1981* over previous years, and now estimate them at £65m.

Among architects the tendency is to emphasise quality, and the profession can boast of its members winning *several jobs* through international competitions. In monetary terms, the Royal Institution of British Architects can only estimate annual overseas earnings to be running at between £30m and £40m. The *response* to their last survey on overseas earnings was only 28 per cent.

The recent trend in the consulting engineering field is *towards consortia.* This is the result of overseas projects increasing in both scale and complexity in the growth sectors —public transport and water. *Both sectors also involve power* generation, since consultants find that even in oil-rich areas governments are opting for electricity for their public transport schemes.

UK consultants' experience— and success—with the massive Hong Kong Metro system since its early days has not only enabled Kennedy and Donkin and Charles Haswell and Partners to win valuable work on *the 12.5km Island Line* extension, but probably influenced the Iraqi Government in its decision to buy British for the design and implementation of its new 32km Baghdad Metro project.

Significantly, work on the line is going ahead in spite of the Iran-Iraq war. The Baghdad Metro is a good example of the consultants' consortium in *action. The names include* W. S. Atkins, Freeman Fox, and Rendel, Palmer and Tritton.

Consortia sometimes need to be formed because of the relevant government's insist*ence that local consultants* get a share, as happened with the light railway project in Venezuela, but the group is still led by Kennedy and Donkin International. Other countries where UK consultants are *advising on railway projects* include Australia, New Zealand, Libya, Saudi Arabia, Nigeria, Swaziland, Colombia, Singapore and even Belgium.

The United Nations sponsored "Water Decade," which *began in 1981, is already* assisting the work of UK engineers. Some of this comes with the added advantage of World Bank finance (or at least guarantees) *which makes working in certain* countries less of a gamble than it can sometimes be.

Under World Bank aegis, *Binnie and Partners were* appointed by the Peruvian Government to lead an international team designing a water trasfer scheme across the Andes, an ambitious project of great complexity to be con*structed in difficult conditions.*

The same consultants have been appointed, again through the World Bank, to lead an international team, including local talent, which will *build* Pakistan's £1bn Kalabagh hydroelectric project to include a dam 4 km long and 80 metres high.

Altogether water and power generating commissions doubled in 1981, *and the major* projects are in the Third World and developing countries where millions still die annually because of inadequate water supplies.

More affluent countries, like the Sultanate of Oman, offer UK consultants different challenges: John Taylor and Sons *are heading a team which is* studying the effects of an oil refinery, now under construction, on Oman's local marine environment.

Chartered surveyors have prospered on all fronts. Land surveyors are currently employed from Tokyo to Iraq, many on projects supported by the World Bank. Quantity surveyors are now active even in countries, *including the U.S.,* where their particular discipline has been unknown until recently.

Iraq features prominently: *British quantity surveyors* are involved in a £1bn housing project and a £700m water supply scheme as well as several smaller undertakings, including *hospitals, airports, cultural* centres and commercial development.

The Gulf States provide more fertile ground, and in Saudi *Arabia quantity surveyors'* services have been retained by a German contractor. Africa and Central America are providing further scope, while in Europe their skills are also becoming more and more appreciated.

But perhaps most encouraging signs are the successes of *British surveyors on the* international property scene. They are being entrusted with both valuations and property management in Denver, Boston, Bahrain, Zimbabwe and Hong Kong, and number among their *clients governments, pension* funds and major banks.

With architects it is a matter of limited room at the top, and two practices share over 20 per cent *of total fee income;* five practices account for 31 per cent *of the total,* and 44 cornered 85 per cent of the market, according to an RIBA survey.

But to quote an experienced consulting engineer, working overseas *is a hard way of* making a living. What makes it so is not specific to any one of the professions, however. Architects, surveyors and engineers tend to give *the same warnings* and describe *the same pitfalls.*

One general problem is competition from other countries, which are actively subsidising their consultants, for example by enabling them to offer free *feasibility studies to get a foot* in the door. Little can be done about this, but it is as well to know in advance to prevent unnecessary expenditure on *hopeless bids. Overall,* competition has increased in recent years with countries like Korea and the Soviet bloc and even India trying hard to break into *established* markets.

The more traditional competition, *from* the U.S. (which remains the world leader), Germany, France and Japan, has been assumed to be more gentlemanly — but some engi*neers tell tales of wheeling and* dealing that cast some doubt on these assumptions.

One area where consultants are well advised to be prepared concerns the contract. Countries like Nigeria, Malaysia and *the Indian sub-continent* have retained British forms of contract, which make life easier, and countries in the Far East tend to stick by agreements whatever their form.

Negotiating

But as pointed out by the RIBA *president,* Mr Owen Luder, whose architectural practice has several overseas contracts, negotiating a fee is one thing and getting the money *is another.*

"It's a rough game for a tough operator," says Mr Luders. Scales of fees, which the RIBA enforced strictly in *the* UK until recently, never applied for foreign jobs, and the bargaining often becomes haggling.

Unlike the home market, where *the level of service* is fixed, the architect working abroad has to adjust it to what he thinks he can finally get from the client.

Although its contracts are no longer lined with gold, Saudi *Arabia, formerly a land of easy* pickings, remains a firm favourite with consultants because there are no problems with the transfer of currency and *its politics are relatively* stable. Iran has dropped out almost completely. Although Iraq is still developing, the war with Iran increases the risk factor there.

In Africa the firm favourite, Nigeria, is in danger of losing that position as more and more UK professionals are finding it extremely difficult to get paid. This is a consequence of a *currency which is not* internationally negotiable and a Kafkaesque bureaucracy.

It is widely agreed that the safest and in many respects most satisfactory way of doing consultancy work in developing *countries is through* international agencies, preferably with payment from international funds. This is why both the UK Government and the National Economic Development Office (NEDO) are concerned that British consultants are currently restricted by the rules governing the European Development Fund, through which much third-world construction is funded.

At present the rule affecting consultancy but not contracting or supplies, is that each nation is allowed only the same propor*tion of work through the fund* as its financial contribution to it. For Britain this is 18 per cent. Demand for UK consultants exceeded this figure this *year, but the work went to* foreign rivals instead. This state of affairs NEDO is now trying to change.

Ironically, on the contracting side *the UK is lagging* far behind. For the period to March 1985 there is £3,360m in the fund, and the current rate of take-up by contractors is a poor 8 per cent.

This is symptomatic of what is perhaps the worst shortcomings of UK professional services overseas. The full benefits which should accrue for UK contractors and suppliers *from* UK consultancies are simply not there—or at least are not being exploited.

Mira Bar-Hillel

For suppliers of the hardware these times are amcn; the most difficult known

Equipment makers the hardest hit

PEOPLE WHO manufacture and *sell capital equipment to the* construction industry could be forgiven for fixing a beady eye on news of falling inflation in the UK and U.S., increases in *productivity, and talk of mild* reflations wherever an election draws near.

Whatever the good news, construction equipment manufacturers know that their order books are not likely to reflect it in the short or, in some cases, even the medium term. Their problems are immediate and economic upturn in Europe or the U.S. would lead sales only by a long way.

Except for the Japanese company Komatsu, helped by the relative weakness of the yen, the industry's leaders are in des*perate straits. Caterpillar,* the world's biggest manufacturer of construction equipment has just announced a third-quarter net loss of $28.1m, its first quarterly *loss* since the *1930s.*

More than 20,000 of its U.S. *employees, members of the* United Autoworkers Union, have spent at least a month on strike, as a result of which a further 14,000 workers were laid *off indefinitely in October.*

In France, Poclain is looking for fresh injections of capital from the banks and Tenneco of the U.S. which has a 40 per cent stake in it. Poclain plans to reduce its workforce from 7,200 (at the end of 1981), to 5,900, after losses of FFr 109.6m for the half year and forecasts of a similar performance for the past six months.

Costly

In Britain, *Acrow is* forecasting a return to profit after a pre-tax loss of £2.36m in the year to March 31 (an improvement on its first ever loss of £4.17m the previous year). The group's fight-back has been *costly, and the group* recently decided to close one factory of its mobile crane subsidiary, Coles Cranes.

In Sweden, the compressed *air and hydraulics group Atlas* Copco reported a 22 per cent fall in earnings for the first half of this year to SKr 249m ($40.5m) compared with the first half of last year. Volvo has now taken a 25 per cent *stake in Atlas Copco for about* $108m.

Komatsu has been more fortunate, improving its consolidated net profits in the first half of this year by 3.6 per cent to $65m, while sales have *risen 18.9 per cent to Y396.5bn* Exports rose 44 per cent during the *first six months, giving some* indication of how sharply the dollar's strength against the yen has affected the relative performances of Komatsu and Caterpillar. *During the same* period, Caterpillar sales fell 14 *per cent to $3.81bn.*

Not only have domestic markets been severely dampened in the industrialised countries of the West but the export markets, which initially took the bite out of the recession, have *also* tightened appreciably. The spending clampdown in Nigeria has particularly hurt UK exporters.

The Middle East markets are unlikely to settle down until the war between Iran and Iraq is settled, although some manufacturers report hopeful signs of a growth in orders from Iraq, which has been bankrolled to the tune of $25bn since the beginning of the war by the conservative Gulf States. Some manufacturers are pinning their hopes on the Saudi Five Year Plan, scheduled to move into top gear next year, to boost sales.

Price competition in the market is reported to be harsh. Caterpillar, which is being challenged severely on price in South East Asia, the Middle East, and Africa, says Japanese competitors like Komatsu are discounting up to 20 per cent off list *price and getting away with* it because of beneficial exchange rates.

British companies have run into similar problems. Mr Allan *Cheetham,* group managing director of Stothert and Pitt, said recently: "Overseas there is stiff price competition particularly, as far as we are concerned, from Continental European companies. With the pound rela*tively strong against other* European currencies we are at a disadvantage. Some of our Continental rivals are able to quote *prices up to 30 per cent* lower."

Margins, said Mr Cheetham, were "*diabolical,*" and although intensive streamlining probably returned *the group to a modest* profit for the year to June 30, there had been no fundamental improvement in the trading position.

Employment

In Britain, the number of people employed by construction equipment *manufacturers* has fallen to less than 25,000, a fall of more than 15,000 since the beginning of the decade.

The question facing manufacturers is not whether to rationalise — they have been doing so, dramatically, *for* at least a year — but how far to go. Many analysts and industry spokesmen believe they are witnessing a sea change and feel that *whether* demand picks up or not the competition will never be quite the same again. In short, there will be fewer players.

That this is indeed happening *is most pointedly demonstrated* by Allis Chambers's concerted attempts to get out of its loss-making joint venture with Fiat (Fiat-Allis) and by the growth *over the past seven years* of IBH Holding in Germany, which has bought into a string of equipment manufacturers in serious difficulties because of the slump in construction.

Since 1979 IBH has swallowed, *wholly or partly,* eight manufacturers, including, this year, Babcock's construction equipment subsidiary, Hymac, from Powell Duffryn, Derrupe *from Poclain, and* Terex *from* General Motors.

IBH sales are now outstripped only by Caterpillar and Komatsu, and the German group, headed by Herr Horst Dieter Esch, believes it can *break even through to the end* of the year despite a half that year Herr Esch described as "the most disastrous six months ever for the world-wide construction industry."

Peter Bruce